

2.0 Vendor Profile

Instructions to Vendors: This section should provide all relevant information regarding Vendor's unique capabilities as an outsourcing service provider. Both the documentation of Vendor's internal practices and satisfaction of the customer base are essential parts of the Commonwealth's evaluation process.

2.1 Vendor Organization Overview

2.1.1 Company Overview

Table 1. Company Overview

Company Name	International Business Machines
Industry (NAICS) (North American Industry Classification System)	Electronic Computer Manufacturing # 334111 Custom Computer Programming Services # 541511 Computer Facilities Management Services # 541513
Fiscal 2004 Company Revenue	\$96.29 Billion
Fiscal 2004 Company Net Income	\$8.43 Billion
% of revenue from sourcing services	Strategic Outsourcing: 20.05% Global Services: 47.98%
Headquarters Location	New Orchard Road Armonk, New York 10504 914-499-1900
Date Founded	IBM was incorporated in the State of New York on June 15, 1911 as the Computing-Tabulating-Recording Company (C-T-R). In 1924, C-T-R adopted the name International Business Machines.
Company ownership (i.e. private/public, joint venture)	Publicly Traded Company
Number of years Vendor has been providing the type of service or equipment specified in Detailed Proposal Rules	IBM has been in the IT Services business for over 35 years, initially with its IT maintenance and Hardware/Software support offerings. In 1991, IBM formally launched its services organization - IBM Systems Services Corporation (ISSC). ISSC was a wholly-owned subsidiary of IBM, which became IBM Global Services. Specifically, IBM has been providing the following services for: <ul style="list-style-type: none"> • Data Center – 16 Years • Mainframe & Server – 16 years • Help Desk – 16 Years • Desktop – 14 Years • Messaging – 14 Years • Data Networking – 16 Years

- Voice & Video Telecom – 14 Years
- Security – 10 Years

Additionally, IBM has supported the Commonwealth of Virginia for over 20 years. We were there at the inception of the original Commonwealth data center, helping to provide leadership, guidance, and expertise as well as the hardware, software, and services to enable Virginia's agencies and institutions to provide the ultimate in data services to those who have an interest in Virginia.

Number of employees

Approximately 329,000 Worldwide

Approximately 4,500 in Virginia

Locations in the USA

IBM has 683 owned or leased facilities within the US.

International locations

91 Countries

1. Industries served

IBM is in the business of helping clients solve business problems through the use of consulting services and advanced information technologies. The company operates primarily in this single industry segment that creates value by offering services, software, systems, products, and technologies. The New York Stock Exchange lists IBM in the Computer-Mainframe industry.

IBM serves clients in nearly all industries including, government, aerospace, defense, automotive, banking, chemical, petroleum, consumer products, education, electronics, energy, utilities, financial markets, healthcare, industrial products, life sciences, insurance, media, entertainment, retail, telecommunications, travel and transportation.

2. Customers served

IBM clients include more than 90 percent of the communications, retail, and electronic companies in the fortune 500, and 675 Fortune 1000 companies. IBM also manages the majority of the world's banking customer data for the 100 top retail and corporate banks in the world.

IBM has over 600 outsourcing clients worldwide. A few of these clients are as follows:

- Government: California Health and Human Services, Maryland Department of HR, U.S. Department of Defense, U.S. Customs, Arizona Motor Vehicle Division, California Franchise Tax Board, Michigan Office of Financial Management & Unemployment Insurance Agency, U.S. Department of Agriculture, Center for Medicare and Medicaid Services, Internal Revenue Services, Chicago Department of Revenue
- Aerospace & Defense: Finnair
- Automotive: FedEx, Honda, Mercedes-Benz, Nissan
- Banking: Certegy, CitiBank, Equifax, Ing
- Chemical & Petroleum: Bayer CorpScience, Millennium Chemicals, Dow Chemicals, Marathon Oil
- Consumer Products: Campbell Soup, Coca Cola, HJ Heinz
- Education: Memphis City School, University of Alberta

- Electronics: Avaya Inc, Conrad, Hitachi, Kodak, Philips
- Energy & Utilities: Barnwell Industries
- Financial Markets: American Express, Morgan Stanley, Hewitt Associates
- Healthcare: Aventis Pharma, Dental Practice Board, Horizon Blue Cross Blue Shield, National Account Service Company (NASCO), Pfizer
- Industrial Products: AK Steel
- Life Sciences: Bristol-Myers Squibb, Johnson & Johnson
- Insurance: Ace, Nation Wide, New York Life
- Media & Entertainment: Sony Communication
- Retail: Elizabeth Arden, Fuji, Kraft, Reebok, Victoria's Secret
- Telecommunications: Bell Canada, Nextel,
- Travel and Transportation: Amtrak

3. Where work will be performed

IBM has state of the art Service Delivery Centers (SDC) across the United States and world that are used to provide technology outsourcing services to various clients. (Redacted) Other work will be performed at various Commonwealth agency locations.

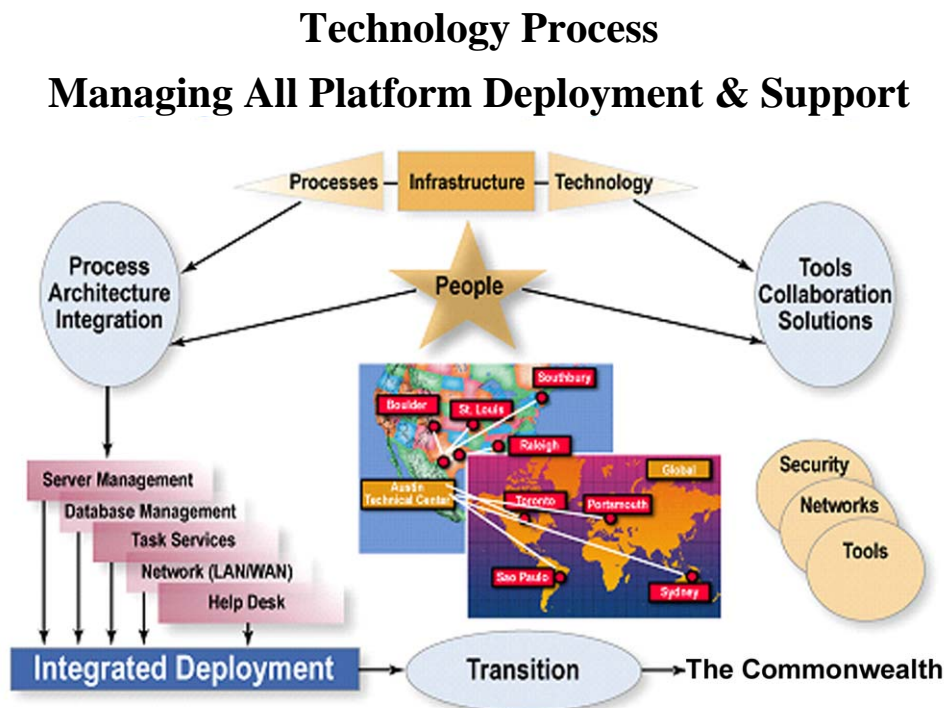


Figure 2.1.1-1 – IBM Technology Process

IBM's SDCs operate 24x7, offer end-to-end solution and system management, and management of platforms and solutions. The Commonwealth will enjoy the benefits of IBM's service delivery

technology process and tools deployed in a dedicated data center facility built specifically for the Commonwealth in **Redacted**.

4. Audited financial statements

Instructions to Vendors: Submit audited financial statements for the last 3 years, together with a current certification made by the CFO stating that statements are current, accurate & complete with the exception of any material adverse changes specifically described which have occurred in the status and/or prospects of the Vendor since the effective date of the most recent financial statements.

REPORT OF MANAGEMENT

International Business Machines Corporation and Subsidiary Companies

MANAGEMENT RESPONSIBILITY FOR FINANCIAL INFORMATION

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with IBM management. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

IBM maintains an effective internal control structure. It consists, in part, of organizational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. An important element of the control environment is an ongoing internal audit program. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

To assure the effective administration of internal controls, we carefully select and train our employees, develop and disseminate written policies and procedures, provide appropriate communication channels, and foster an environment conducive to the effective functioning of controls. We believe that it is essential for the company to conduct its business affairs in accordance with the highest ethical standards, as set forth in the IBM Business Conduct Guidelines. These guidelines, translated into numerous languages, are distributed to employees throughout the world, and reemphasized through internal programs to assure that they are understood and followed.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, is retained to audit IBM's consolidated financial statements and management's assessment of the effectiveness of the company's internal control over financial reporting. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors is composed solely of independent, non-management directors, and is responsible for recommending to the Board the independent registered public accounting firm to be retained for the coming year, subject to stockholder ratification. The Audit Committee meets periodically and privately with the independent registered public accounting firm, with the company's internal auditors, as well as with IBM management, to review accounting, auditing, internal control structure and financial reporting matters.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

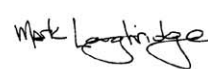
The company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the company's internal control over financial reporting was effective as of December 31, 2004. Management's assessment of the effectiveness of the company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Samuel J. Palmisano
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER
FEBRUARY 22, 2005



Mark Loughridge
SENIOR VICE PRESIDENT
CHIEF FINANCIAL OFFICER
FEBRUARY 22, 2005

Figure 2.1.1-2 – IBM CEO/CFO Certification Letter

For complete and detailed audited financial statements from FY2002 – FY2004 and a full sized copy of the CEO/CFO certification letter above, please access the embedded PDF file below. Complete hardcopy/printed financial reports for IBM and the Commonwealth Partners were provided to VITA during due diligence per your request.

Redacted

Since Due Diligence, Verizon has joined the Commonwealth Partners. Their complete financial information can be found at: <http://investor.verizon.com/financial/quarterly/>

5. Business disputes

Instructions to Vendors: Provide details of any disciplinary actions or other administrative action taken by any jurisdiction or person against Vendor. List & summarize all judicial or administrative proceedings involving your sourcing activities, claims of unlawful employment discrimination & anti-trust suits in which you have been a party within the last 5 years. If Vendor is a subsidiary, submit information for all parent companies. If Vendor uses subcontractors, associated companies & consultants that will be involved in any phase of this project, Vendor's response shall include pertinent subcontractor information.

IBM Corporation:

The company is involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of its business, including actions with respect to contracts, IP, product liability, employment, securities, and environmental matters. The following is a discussion of some of the more significant legal matters involving the company.

On July 31, 2003, the U.S. District Court for the Southern District of Illinois, in *Cooper et al. vs. The IBM Personal Pension Plan and IBM Corporation*, held that the company's pension plan violated the age discrimination provisions of the Employee Retirement Income Security Act of 1974 (ERISA). On September 29, 2004, the company announced that IBM and plaintiffs agreed in principle to resolve certain claims in the litigation. Under the terms of the agreement, plaintiffs will receive an incremental pension benefit in exchange for the settlement of some claims, and a stipulated remedy on remaining claims if plaintiffs prevail on appeal. Under the terms of the settlement, the judge will issue no further rulings on remedies. This settlement, together with a previous settlement of a claim referred to as the partial plan termination claim resulted in the company taking a one-time charge of \$320 million in the third quarter of 2004.

This agreement ends the litigation on all claims except the two claims associated with IBM's cash balance formula. The company will appeal the rulings on these claims. The company continues to believe that its pension plan formulas are fair and legal. The company has reached this agreement in the interest of the business and the company shareholders, and to allow for a review of its cash balance formula by the Court of Appeals. The company continues to believe it is likely to be successful on appeal.

The agreement stipulates that if the company is not successful on appeal of the two remaining claims, the agreed remedy will be increased by up to \$1.4 billion—\$780 million for the claim that the company's cash balance formula is age discriminatory, and \$620 million for the claim that the method used to establish opening account balances during the 1999 conversion discriminated on the basis of age (referred to as the "always cash balance" claim). The maximum additional liability the company could face in this case if it is not successful on appeal is therefore capped at \$1.4 billion.

In the coming months, class members will receive formal notice of the settlement and the judge will hold a fairness hearing. Once the settlement is approved, IBM will appeal the liability rulings for the cash balance claims. As a result, the entire process could take up to two years before reaching final conclusion.

The company is the defendant in an action brought by Compuware in the District Court for the Eastern District of Michigan in 2002, asserting causes of action for copyright infringement, trade secret misappropriation, Sherman Act violations, tortious interference with contracts and unfair competition under various state statutes. The company asserted counterclaims for copyright infringement and patent infringement in the Michigan action. The court ruled that the company's patent claims against Compuware will be addressed in a separate trial, which has not yet been scheduled, and granted Compuware's motion to dismiss the company's copyright infringement claims on summary judgment. The court granted in part and denied in part the company's motion for summary judgment dismissing Compuware's antitrust claims. Trial began during the week of February 14, 2005. The company has also asserted patent infringement claims against Compuware in a separate action that the company brought in the District Court for the Southern District of New York in January 2004.

The company is a defendant in an action filed on March 6, 2003 in state court in Salt Lake City, Utah by The SCO Group. The company removed the case to Federal Court in Utah. Plaintiff is successor in interest to some of AT&T's Unix IP rights, and alleges copyright infringement, unfair competition, interference with contract and breach of contract with regard to the company's distribution of AIX and contribution of unspecified code to Linux. The company has asserted counterclaims, including breach of contract, violation of the Lanham Act, unfair competition, intentional torts, unfair and deceptive trade practices, breach of the General Public License that governs open source distributions, patent infringement, promissory estoppel and copyright infringement. Trial was scheduled for November 1, 2005 but the scheduling order has been suspended and is under revision.

On June 2, 2003 the company announced that it received notice of a formal, nonpublic investigation by the Securities and Exchange Commission (SEC). The SEC is seeking information relating to revenue recognition in 2000 and 2001 primarily concerning certain types of client transactions. The company believes that the investigation arises from a separate investigation by the SEC of Dollar General Corporation, a client of the company's Retail Stores Solutions unit, which markets and sells point-of-sale products.

On January 8, 2004, the company announced that it received a "Wells Notice" from the staff of the SEC in connection with the staff's investigation of Dollar General Corporation, which as noted above, is a client of the company's Retail Stores Solutions unit. It is the company's understanding that an employee in the company's Sales & Distribution unit also received a Wells Notice from the SEC in connection with this matter. The Wells Notice notifies the company that the SEC staff is considering recommending that the SEC bring a civil action against the company for possible violations of the U.S. securities laws relating to Dollar General's accounting for a specific transaction, by participating in and aiding and abetting Dollar General's misstatement of its 2000 results. In that transaction, the company paid Dollar General \$11 million for certain used equipment as part of a sale of IBM replacement equipment in Dollar General's 2000 fourth fiscal quarter. Under the SEC's procedures, the company responded to the SEC staff regarding whether any action should be brought against the company by the SEC. The separate SEC investigation noted above, relating to the recognition of revenue by the company in 2000 and 2001 primarily concerning certain types of client transactions, is not the subject of this Wells Notice.

In January 2004, the Seoul District Prosecutors Office in South Korea announced it had brought criminal bid rigging charges against several companies, including IBM Korea and LG IBM (a joint venture between IBM Korea and LG Electronics) and had also charged employees of some of those entities with, among other things, bribery of certain officials of government-controlled entities in Korea, and bid rigging. IBM Korea and LG IBM cooperated fully with authorities in these matters. A number of individuals, including former IBM Korea and LG IBM employees, were subsequently found guilty and sentenced. IBM Korea and LG IBM were also required to pay fines. IBM Korea has been debarred from doing business directly with certain government controlled entities in Korea. The orders, imposed at different times, cover a period of no more than a year from the date of issuance. The orders do not prohibit IBM Korea from selling products and services to business partners who sell to government controlled entities in Korea. In addition, the U.S. Department of Justice and the SEC have both contacted the company in connection with this matter.

The company is party to, or otherwise involved in, proceedings brought by U.S. federal or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or laws similar to CERCLA. Such statutes require potentially responsible parties to participate in remediation activities regardless of fault or ownership of sites. The company is also conducting environmental investigations or remediation at or in the vicinity of several current or former operating sites pursuant to permits, administrative orders or agreements with state environmental agencies, and is involved in lawsuits and claims concerning certain current or former operating sites.

In accordance with SFAS No. 5, "Accounting for Contingencies," the company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can reasonably be estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Under SFAS No. 5, provisions for litigation-related expenses increased \$125 million in 2004 versus 2003. Any other recorded liabilities for the above items, including any changes to such liabilities for the twelve months ended December 31, 2004, were not material to the Consolidated Financial Statements. Based on its experience, the company believes that the damage amounts claimed in the matters referred to above are not a meaningful indicator of the potential liability. Litigation is inherently uncertain and it is not possible to predict the ultimate outcome of the matters previously discussed. While the company will continue to defend itself vigorously in all such matters, it is possible that the company's business, financial condition, results of operations, or cash flows could be affected in any particular period by the resolution of one or more of these matters. Whether any losses, damages or remedies finally determined in any such claim, suit, investigation or proceeding could reasonably have a material effect on the company's business, financial condition, results of operations, or cash flow will depend on a number of variables, including the timing and amount of such losses or damages, the structure and type of any such remedies, the significance of the impact any such losses, damages or remedies may have on the company's Consolidated Financial Statements, and the unique facts and circumstances of the particular matter which may give rise to additional factors.

BearingPoint:

BearingPoint is a large consulting firm and does a great deal of work for Federal, State, and local governments. BearingPoint is a publicly traded company and as such, disclose in their SEC filings any pending litigation matters or administrative proceedings that could have a material impact upon the company. There are no pending litigation or other administrative proceedings taken against BearingPoint by public sector clients, and there are no pending matters with public sector clients that affects our ability to perform this contract and provide the offered services.

With respect to past judicial or administrative proceedings, BearingPoint was formerly part of the partnership, KPMG, LLP. BearingPoint became an independent, publicly traded company in February 2001. Any records pertaining to judicial or administrative proceedings prior to BearingPoint's separation are in the possession of KPMG, LLP and are not available to BearingPoint. We can state, however, that for the period that BearingPoint has been a publicly traded company, BearingPoint has not been terminated for default or cause by any public sector client. BearingPoint is considered to be a responsible contractor by the numerous public sector entities with whom it does business.

With respect to judicial or administrative proceedings involving our sourcing activities, our response addresses our commercial-off-the-shelf hardware and software procurement subsidiary, TPS. BearingPoint received a subpoena from the U.S. Securities and Exchange Commission ("SEC") and requests for documents and information from the U.S. Attorney's Office for the Southern District of California regarding certain software resale transactions with Peregrine Systems, Inc. in the period 1999 - 2001. On November 16, 2004, Larry Rodda, a former employee, pled guilty to one count of criminal conspiracy in connection with the transactions that are the subject of the government inquiries. Mr. Rodda also was named in a civil suit brought by the SEC. We were not named in the indictment or civil suit, and are cooperating with the government investigations. We were named as a defendant in several civil lawsuits regarding the Peregrine software resale transactions, in which purchasers and other individuals who acquired Peregrine stock allege that we participated in or aided and abetted a fraudulent scheme by Peregrine to inflate Peregrine's stock price. Specifically, we have been named as a defendant in the following actions: Ariko v. Moores (Superior Court, County of San Diego), Allocco v. Gardner (Superior Court, County of San Diego), Bains v. Moores (Superior Court, County of San Diego) and In re Peregrine Systems Inc. Securities Litigation (U.S. District Court for the Southern District of California). Litigation

against us based on the same or similar claims also has been threatened by additional Peregrine shareholders and by the Peregrine Litigation Trustee, who assumed certain claims following Peregrine's emergence from bankruptcy protection in 2003. Our former parent KPMG LLP also has sought indemnity from us for certain liability it may face in the same litigations. We have answered the complaint in the Ariko matter and have sought dismissal of the Allocco and In re Peregrine Systems Inc. Securities Litigation complaints for failure to state a claim. We believe that in some of these actions we may face liability, but in amounts that are not material to our overall financial condition although the amounts could be material to the quarterly periods in which any liability is incurred. In other actions and threatened actions, including In re Peregrine Systems Securities Litigation, we believe we have meritorious defenses and intend to vigorously defend against the claims. Overall, however, we cannot predict the outcome in or total exposure we may face arising out of the various actual or threatened claims.

With respect to judicial or administrative proceedings involving antitrust suits in which BearingPoint has been a party, there have been none in the relevant period from February 2001 to the present.

The following is BearingPoint's response to the question regarding all judicial and administrative proceedings involving claims of unlawful employment discrimination against BearingPoint: BearingPoint is committed to providing equal opportunity for all applicants and employees regardless of their race, color creed, religion, age, sex, national origin, citizenship status, marital status, sexual orientation, disability, veteran status, or other category protected by federal, state, or local law. However, as a large international provider of consulting services, with thousands of employees, BearingPoint is subject to occasional internal grievances concerning allegations of discrimination. In the last four years, BearingPoint has not been adjudicated as having violated any law with regard to employment discrimination.

Microsoft Business Disputes:

Government competition law matters. On March 25, 2004, the European Commission announced a decision in its competition law investigation of Microsoft. The Commission concluded that Microsoft infringed European competition law by refusing to provide our competitors with licenses to certain protocol technology in the Windows server operating systems and by including streaming media playback functionality in Windows desktop operating systems. The Commission ordered us to make the relevant licenses to our technology available to our competitors and to develop and make available a version of the Windows desktop operating system that does not include specified software relating to media playback. The decision also imposed a fine of €497 million, which resulted in a charge in the third quarter of fiscal 2004 of €497 million (\$605 million). We filed an appeal of the decision to the Court of First Instance on June 6, 2004. On December 22, 2004, the Court ordered that Microsoft must comply with the decision pending review on appeal and the company is taking steps to ensure it is in compliance. The hearing date for the appeal is expected to be determined later this year. We continue to contest the conclusion that European competition law was infringed and will defend our position vigorously. The Korean Fair Trade Commission (KFTC) is investigating whether or not Microsoft has violated Korean competition law by including Windows Media Player technologies in Windows, by including Windows Messenger in Windows, or by distributing Windows Media Services as an optional component of Windows Server. Hearings on this issue are expected to be conducted by the KFTC sometime during the summer of 2005. In other ongoing investigations, various foreign governments and several state Attorneys General have requested information from us concerning competition, privacy, and security issues.

Antitrust, unfair competition, and overcharge class actions. A large number of antitrust and unfair competition class action lawsuits have been filed against us in various state and federal courts. The federal cases have been consolidated in the U.S. District Court for Maryland. These cases allege that we have competed unfairly and unlawfully monopolized alleged markets for operating systems and certain software applications, and they seek to recover alleged overcharges for these products on behalf of

variously defined classes of direct and indirect purchasers. To date, courts have dismissed all claims for damages in cases brought against us by indirect purchasers under federal law and in 15 states. Nine of those state court decisions have been affirmed on appeal. Appeals of two of those state rulings are pending. There was no appeal in four states. An additional state court action was dismissed based on a failure to plead wholly intrastate wrongful conduct. That ruling is also on appeal. Claims under federal law brought on behalf of foreign purchasers have been dismissed by the federal district court in Maryland as have all claims brought on behalf of consumers seeking injunctive relief under federal law. The ruling on the injunctive relief and the ruling dismissing the federal claims of indirect purchasers are currently on appeal to the United States Court of Appeals for the Fourth Circuit, as is a ruling denying certification of certain proposed classes of U.S. direct purchasers. Courts in eleven states have ruled that indirect purchaser cases may proceed as class actions, while courts in two states have denied class certification. In 2003, we reached an agreement with counsel for the California plaintiffs to settle all claims in 27 consolidated cases in that state. Under the proposed settlement, class members will be able to obtain vouchers that entitle the class members to be reimbursed up to the face value of their vouchers for purchases of a wide variety of platform-neutral computer hardware and software. The total value of vouchers issued will depend on the number of class members who make a claim and are issued vouchers. Two-thirds of the value of vouchers unissued or unredeemed by class members will be made available to certain schools in California in the form of vouchers that also may be redeemed for cash against purchases of a wide variety of platform-neutral computer hardware, software and related services. Since the beginning of 2003, we also reached similar agreements to settle all claims in a number of other states. The proposed settlements in these states are structured similarly to the California settlement, except that, among other differences, one-half of the value of vouchers unissued to class members will be made available to certain schools in the relevant states. The maximum value of vouchers to be issued in these settlements, including the California settlement, is approximately \$1.9 billion. The actual costs of these settlements will be less than that maximum amount, depending on the number of class members and schools who are issued and redeem vouchers. The settlements in Arizona, California, the District of Columbia, Florida, Kansas, Massachusetts, Minnesota, Montana, New Mexico, North Carolina, North Dakota, South Dakota, Tennessee, and West Virginia have received final court approval. The proposed settlements in Nebraska and Vermont have received preliminary approval by the court in those states, but still require final approval. We estimate the total cost to resolve all of these cases will range between \$1.2 billion and \$1.4 billion, with the actual cost dependent upon many unknown factors such as the quantity and mix of products for which claims will be made, the number of eligible class members who ultimately use the vouchers, the nature of hardware and software that is acquired using the vouchers, and the cost of administering the claims process. In accordance with Statement of Financial Accounting Standards (SFAS) 5, Accounting for Contingencies, and FASB Interpretation (FIN) 14, Reasonable Estimation of the Amount of a Loss, at March 31, 2005, we have a liability of approximately \$1.06 billion, net of payments to date for administrative expenses and legal fees.

Other antitrust litigation and claims. Burst.com, Inc. filed suit against Microsoft on June 18, 2002 alleging violations of federal and state antitrust and unfair competition laws, violation of trade secrets, breach of contract, and patent infringement seeking treble damages, restitution, punitive damages, injunctive relief, and other relief to restore competitive conditions. On March 13, 2005, Burst and Microsoft announced that the parties had agreed to settle the suit. Pursuant to the settlement Microsoft will pay Burst \$60 million, the lawsuit will be dismissed, and Microsoft was granted a license to certain of Burst's patents.

On April 11, 2005, we announced a settlement with Gateway, Inc. resolving claims asserted by Gateway that arose from the circumstances of *United States v. Microsoft* and findings of fact that identified Gateway as having been impacted in its business by practices on which the district court ruled against Microsoft. Under the agreement, Microsoft will pay Gateway \$150 million over four years and Gateway released all antitrust claims against Microsoft based on past conduct. As part of the settlement, the parties

agreed the funds paid to Gateway would be used for marketing, manufacturing, research, development and testing of Gateway personal computing products that are able to run Microsoft software.

On August 27, 2004, the City and County of San Francisco, the City of Los Angeles, and Los Angeles, San Mateo, Contra Costa and Santa Clara Counties filed a putative class action against Microsoft in San Francisco Superior Court. The action is brought on behalf of all governmental entities, agencies and political subdivisions of the State of California who indirectly purchased Microsoft operating system or word processing and spreadsheet software during the period from February 18, 1995 to the date of trial in the action. The plaintiffs seek treble damages under California's Cartwright Act and disgorgement of unlawful profits under its Unfair Competition Act resulting from Microsoft's alleged combinations to restrain trade, deny competition, and monopolize the world markets for PC operating systems and word processing and spreadsheet applications (and productivity suites including these applications). Microsoft was served with the complaint on August 30, 2004 and has removed the case to the U.S. District Court for Maryland. Microsoft's motion to dismiss the complaint was granted in its entirety on April 18, 2005 with leave to file an amended complaint alleging claims under the Cartwright Act based on conduct within the four-year statute of limitation the court ruled applies to the plaintiffs' claims. Plaintiffs also may seek to appeal the court's decision.

On December 18, 2003, RealNetworks, Inc. filed suit against us alleging violations of federal and state antitrust and unfair competition laws. The alleged violations relate to streaming media features of Windows and related technologies. RealNetworks seeks damages and injunctive relief, including a permanent injunction requiring us to offer a version of Windows products with no streaming media features. We deny the allegations and will vigorously defend the action. RealNetworks filed the case in federal court in San Jose, California. It has been consolidated for pretrial purposes with other cases pending in the U.S. District Court for Maryland.

On November 12, 2004, Novell filed a complaint in federal court in Utah asserting antitrust and unfair competition claims against Microsoft related to Novell's ownership of WordPerfect and other productivity applications during the period between June 1994 and March 1996. Microsoft has moved to dismiss the complaint. In addition, we have been notified of additional antitrust damage claims by several competitors and several licensees of our products.

In the third quarter of fiscal 2005, we recorded a liability of \$550 million for the foregoing antitrust lawsuits and claims that remain outstanding. While we intend to vigorously defend those matters, there exists the possibility of adverse outcomes which we estimate could be up to \$650 million in aggregate beyond recorded amounts.

Patent cases. We are a defendant in more than 35 patent infringement cases that we are defending vigorously. In the case of *Eolas Technologies, Inc. and University of California v. Microsoft*, filed in the U.S. District Court for the Northern District of Illinois on February 2, 1999, the plaintiffs alleged infringement by the browser functionality of Windows. On August 11, 2003, the jury awarded the plaintiffs approximately \$520 million in damages for infringement from the date the plaintiffs' patent was issued through September 2001. The plaintiffs are seeking an equitable accounting for damages from September 2001 to the present. On January 14, 2004, the trial court entered final judgment of \$565 million, including post-trial interest of \$45 million, and entered an injunction against distribution of any new infringing products, but stayed execution of the judgment and the injunction pending our appeal. We appealed and on March 2, 2005 the Court of Appeals for the Federal Circuit reversed the decision and vacated the judgment, ruling that the trial court had erred in excluding certain prior art evidence and ruling as a matter of law on other evidence. The appellate court also reversed the trial court's decision that the inventors had not engaged in inequitable conduct by failing to reveal material prior art while obtaining the patent. In October 2003 the U.S. Patent Office initiated a Director-ordered re-examination of the Eolas patent. On February 26, 2004, the Patent Office issued an Office Action rejecting the claims of the Eolas patent. We believe the total cost to resolve this case will not be material to our financial position or results

of operations. The actual costs are dependent upon many unknown factors such as the events of a retrial of the plaintiff's claims. In *Research Corporation Technologies, Inc. v. Microsoft*, filed in U.S. District Court for the District of Arizona, the plaintiff has asserted a family of six patents related to half-toning, which it believes are infringed by certain printing and display functionality allegedly present in different versions of Windows and Office. Plaintiff seeks an unspecified amount of damages in the form of "reasonable royalties" on various Microsoft products including Windows and Office 2000 and subsequent versions of those products. The case is scheduled for trial in the second half of 2005. In *TVI v. Microsoft*, filed in U.S. District Court for the Northern District of California, the plaintiff alleges infringement by the Autoplay feature of Windows. No trial date has been set. In *Microsoft v. Lucent*, filed in the U.S. District Court in San Diego, we are seeking a declaratory judgment that we do not infringe any valid patent among a number of patents Lucent has been asserting against computer manufacturers who sell computers with Microsoft software pre-installed. No trial date has been set. In *Arendi USA, Inc. and Arendi Holding Limited v. Microsoft*, filed in U.S. District Court for the District of Rhode Island, the plaintiffs alleged infringement of one patent by certain Smart Tags features in Microsoft Office XP and Office 2003. Following trial in September 2004 the jury returned a verdict for us, finding that we did not infringe the patents. The plaintiffs have appealed. In *Amado v. Microsoft*, the plaintiff has accused the link table functionality available in Microsoft Access when used with Microsoft Excel. The case is scheduled to go to trial before a jury in federal court in Orange County, California in the middle of May, 2005. In *BTG v. Microsoft*, the plaintiff has accused our Windows and Office products of infringing several patents. The patents are directed to "update" technology, active desktop and off-line browsing. The case is pending in the Northern District of California. No trial date has been set. In *AVG v. Microsoft*, the plaintiff has filed a number of cases in the Eastern District of Texas against us, our major OEMs, other computer game console makers (Sony and Nintendo) and computer game publishers. The case is directed to graphics functionality in Windows and Xbox. The first case against Microsoft is scheduled to go to trial in January of 2006. Adverse outcomes in some or all of the pending patent cases may result in significant monetary damages or injunctive relief against us, adversely affecting distribution of our operating system or application products. The risks associated with an adverse decision may result in material settlements.

Other. Microsoft is also subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving such claims, individually or in aggregate, will not have a material adverse impact on our financial position or our results of operations, the litigation and other claims noted above are subject to inherent uncertainties and management's view of these matters may change in the future. Were an unfavorable final outcome to occur, there exists the possibility of a material adverse impact on our financial position and on the results of operations for the period in which the effect becomes reasonably estimable.

Manhattan Construction Company:

Weyerhaeuser Co (supplier) dba Trus Joist vs. Westlake, including Manhattan Construction Company

Issue: Subcontractor Alleging Breach of Contract for payment due

Date: December 24, 2003

Manhattan Construction Company vs. Austin Commercial

Issue: Manhattan Claim for extra work performed, delays in acceleration against the Construction Manager, Austin.

Date: December 2003

Status: Case pending, no case number yet.

Superior Jamestown Corporation vs. Manhattan Construction, Williams Headquarters Building Company, and Williams Technology

Issue: Subcontractor alleging Breach of Contract by Manhattan and Owner

Date: March 20, 2002

Status: Case pending #CF 2002, 1524, District Court of Tulsa County, Oklahoma

Brawner Construction Company vs. Manhattan Construction, Federal Insurance Company, and QS Marketplace Limited Partnership. Brawner (as second tier subcontractor)

Issue: Subcontractor seeking payment for amount not paid by first tier subcontractor

Date: May 8, 2002

Status: Case Settled February 3, 2003 #CJ-2002-3826, District Court of Oklahoma County, Oklahoma

Manhattan Construction Company vs. Ultra Construction Corporation and Granite Re, Inc.

Issue: Claim with Subcontractor for Breach of contract

Status: Case settled August 12, 2002 #CJ-2002-5738, District Court of Oklahoma County, Oklahoma

Wittwer Construction Company vs. Manhattan Construction Company, Midpoint Construction, & Federal Ins.

Issue: Subcontractor alleging failure to pay amount due under contract

Status: Case settled: February 28, 2001

STI Knowledge:

Industry Buying Group (IBG) has sued HPS (a STI Company) and five other entities regarding an alleged conspiracy to move business from the IBG PPO Network to the GHP (Memorial) network. Memorial Hospital has funded a significant portion of the HPS legal fees. The \$400,000 claim is viewed as frivolous by HPS. Under the STI Merger Agreement, Dendy/Blount have indemnified STI against any losses related to this or other litigation, they have also signed a subsequent release for STI for all future claims and damages that may result from this litigation.

STI does not believe that any current or pending litigation involving it will have any material adverse effect on STI's ability to perform the services contemplated by this proposal.

Hayes, Seay, Mattern & Mattern:

Charlotte-Mecklenburg Board of Education v. Hayes, Seay, Mattern & Mattern, Inc., et al. General Court of Justice, Superior Court Division, County of Mecklenburg, North Carolina, Civil Action No. 04-CVS-20511. November 2004

The Board of Education filed suit against HSMM, as architect/engineer of record; The San-Gra Corporation, as the building contractor; Granger Construction Company, Inc., as the successor corporation and/or alter ego of San-Gra; CPAC, Inc., as roofing subcontractor; and Central Pennsylvania Associated Contractors, Inc., as roofing subcontractor. The Board alleges that HSMM breached the standard of professional care required by architects practicing in the community by providing drawings and specifications with various alleged design errors or omissions, or both. HSMM denies any liability.

County of Beaufort, S.C., et al. v. Hayes, Seay, Mattern & Mattern, Inc., et al. Court of Common Pleas Court, Fourteenth Judicial Circuit, State of South Carolina, Civil Action No. 04-CP-07-0650. April 2004

HSMM is one of a number of defendants in a complaint arising out of the design and construction of the Beaufort County Courthouse in Beaufort, South Carolina. The plaintiffs alleged that the Courthouse has suffered damage as the result of the failure of the exterior insulation finish system ("EIFS"), which was

used in the construction of the building. With respect to HSMM, the plaintiffs allege that HSMM was negligent in the selection and specification of the EIFS materials for the Courthouse and that HSMM breached an implied warranty of plans and specifications. In December 1989, HSMM acquired the assets of Harwood Beebe Company, Inc., which had previously assumed responsibility for design of the project by assignment from the County's originally selected designer, C. E. Maguire, Inc. HSMM denies any liability.

County of Beaufort, S.C., et al. v. Hayes, Seay, Mattern & Mattern, Inc., et al. Court of Common Pleas Court, Fourteenth Judicial Circuit, State of South Carolina, Civil Action No. 04-CP-07-0652. April 2004

HSMM is one of a number of defendants in a complaint arising out of the design and construction of the Law Enforcement Center in Beaufort, South Carolina. The plaintiffs alleged that the Center has suffered damage as the result of the failure of the exterior insulation finish system ("EIFS"), which was used in the construction of the building. With respect to HSMM, the plaintiffs allege that HSMM was negligent in the selection and specification of the EIFS materials for the Center and that HSMM breached an implied warranty of plans and specifications. In December 1989, HSMM acquired the assets of Harwood Beebe Company, Inc., which had previously assumed responsibility for design of the project by assignment from the County's originally selected designer, C. E. Maguire, Inc. HSMM denies any liability.

April 2004: County of Beaufort, S.C., et al. v. Hayes, Seay, Mattern & Mattern, Inc., et al. Court of Common Pleas Court, Fourteenth Judicial Circuit, State of South Carolina, Civil Action No. 04-CP-07-0653.

HSMM is one of a number of defendants in a complaint arising out of the design and construction of the Beaufort County Administration Building in Beaufort, South Carolina. The plaintiffs alleged that the Admin. Building has suffered damage as the result of the failure of the exterior insulation finish system ("EIFS"), which was used in the construction of the building. With respect to HSMM, the plaintiffs allege that HSMM was negligent in the selection and specification of the EIFS materials for the Admin. Building and that HSMM breached an implied warranty of plans and specifications. In December 1989, HSMM acquired the assets of Harwood Beebe Company, Inc., which had previously assumed responsibility for design of the project by assignment from the originally selected designer, C. E. Maguire, Inc. HSMM denies any liability.

Internosis:

CorpSoft, Inc. v. Internosis, Inc., Civil Action No. 2001-00872. On June 4, 2001 CorpSoft filed suit against Internosis in Massachusetts to recover monies it contended it was owed. Contested proceedings concluded on December 23, 2003, when both parties signed a Settlement Agreement and General Release.

N. Ilene McCune v. Internosis, Inc., Civil Action No. 01-40105. On June 18, 2001, N. Ilene McCune, then CFO of Internosis, filed suit against Internosis in Massachusetts for breach of her employment agreement. The matter settled amicably when Ms. McCune accepted a settlement offer from Internosis on October 11, 2001.

Internet Security Systems:

The GA case number is 1:04-CV-2402-CC. The DE case number is Civ. No. 04-1199- SLR. On August 17, 2004, the Company filed in the United States District Court for the Northern District of Georgia a declaratory judgment action (the "Georgia Action") against SRI International, Inc. ("SRI"). The action seeks the court's declaration that the Company's products and services do not infringe any valid claim of five patents held by SRI and seeks declaration that certain claims of those patents are invalid. SRI has filed a motion to dismiss the action, which the Company has opposed. On August 26, 2004, SRI filed in the United States District Court for Delaware a complaint against the Company and Symantec

Corporation (the “Delaware Action”). The complaint in the Delaware Action alleges that the Company’s Site Protector and Proventia products infringe upon claims of two of the five patents at issue in the Georgia Action. The Delaware Action seeks unspecified damages and injunctive relief. The Company has filed a motion to dismiss the Delaware Action, which SRI has opposed.

The Company and certain of its officers and directors were named as defendants in a consolidated amended complaint that was filed in the United States District Court for the Northern District of Georgia on October 9, 2002. The lawsuit purported to be brought on behalf of a class of investors who purchased the Company’s stock during the period from April 5, 2001 through August 14, 2001 (the “Class Period”). The lawsuit alleged violations of the federal securities laws, including Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder. The complaint sought damages in an unspecified amount. On September 3, 2003, the court dismissed, with prejudice, the consolidated amended complaint. The plaintiffs moved the court to reconsider its dismissal order and to grant them leave to amend their complaint. The court denied the plaintiffs’ motion on April 13, 2004 and the plaintiffs did not appeal the ruling or order.

Other Team Members:

The remaining members of the Commonwealth Partners to the best of our knowledge have no legal claims pending.

- Advantus Strategies
- IndigeTech
- Liberty Property Trust

6. Guarantees of insurance

Table 2. Insurance coverage

Type of Insurance	Carrier Name and Address	Type of Coverage	Ratings	Coverage Limits
General Liability	AIG 80 Pine Street New York, NY	Premise, Products, Advertising	A+	\$10M
Auto Liability	AIG 80 Pine Street New York, NY	Bodily Injury to third parties	A+	\$10M
Crime	AIG 80 Pine Street New York, NY	Theft of assets by employees	A+	\$10M
Workers Compensation	Liberty Mutual 1133 Avenue of the Americas New York, NY	Workers Compensation	A	Statutory
End of Table				

Table 2.1.1-1 – Guarantees of Insurance

2.2 Vendor Business Profile and Strategy

2.2.1 Current market position and strategy

IBM is recognized by industry analysts, our clients and our vendors as the world's Information Technology industry leader. IBM is stronger today and more focused on solving our clients' business challenges than at any time in our history. The path we set for ourselves in terms of an improved competitive position, an enhanced capacity to innovate, and a greater ability to deliver results will help the Commonwealth improve the services they deliver to Virginia's residents today and in the future. IBM is consistently rated as an industry leader by both, Gartner and Meta Group, in its ability to execute/perform, completeness of vision, and presence in the data center outsourcing market.

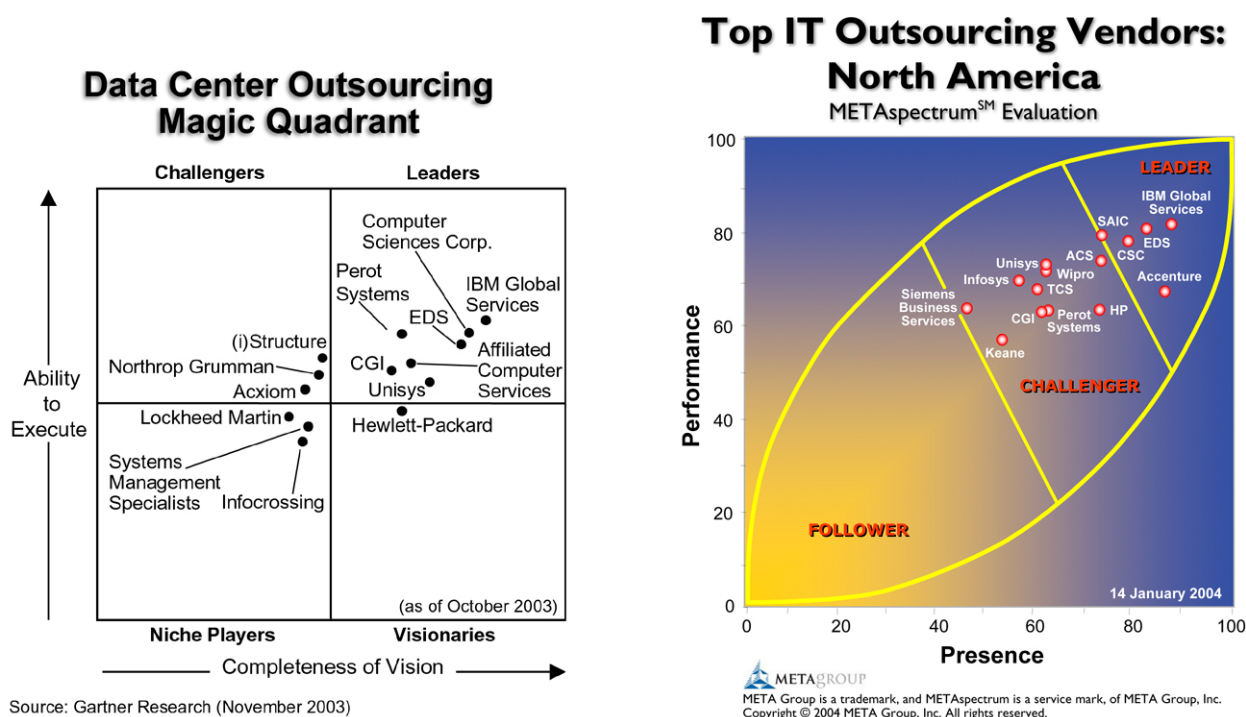


Figure 2.2.1-1 – IBM Market Position

In 2004 IBM continued to execute its business plan effectively, producing share gains in key markets, increasing revenue and growing both earnings and earnings per share.

Corporate results from continuing operations saw record revenue of \$96.3 billion, an increase of 8 percent; earnings of \$8.4 billion, an increase of 11 percent; and diluted earnings per share of \$4.94, an increase of 14 percent.

One of the strengths of IBM's business model, from a financial point of view, is the amount of cash generated. After committing \$5.7 billion to R&D in 2004, IBM had \$12.9 billion in cash available for investment and distribution to shareholders. Of that, \$3.7 billion went for net capital expenditures and \$1.7 billion for acquisitions that strengthened our capabilities.

IBM was able to return a record \$8.3 billion to investors — \$7.1 billion through share repurchase and \$1.2 billion through dividends. IBM ended the year in a strong cash position, with \$10.6 billion, including marketable securities. In 2004, our return on invested capital increased to 29 percent, excluding our Global Financing business and a one-time pension settlement charge.

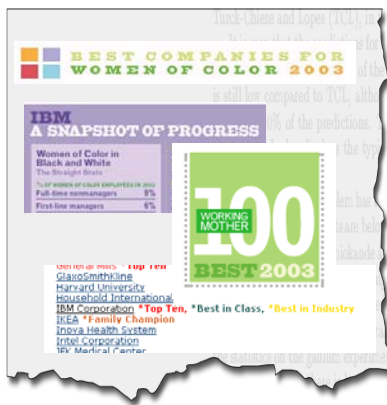
IBM's Information Technology Strategy

IBM is helping to move the IT industry into a new era characterized by a new architecture of computing and the new business models it enables. IBM calls this "On Demand Business." Since 2002, IBM has made significant investments in strengthening its capabilities to help clients become on demand businesses, and to communicate our understanding of the concept to them and to leverage our employees and partners.

IBM's on-demand vision is often referred to as utility computing, the process by which clients pay as they go for hardware and software as capacity requirements change. The On Demand concept, however, goes much further and will explore how VITA can align key business processes internally and externally with partners and agencies across The Commonwealth to eliminate red tape and save time and money.

An On Demand organization has its business processes integrated end-to-end and with key partners, suppliers and customers, so that it can respond with speed to any client demand, opportunity or threat.

IBM's Go to Market Strategy with Minority Businesses



Building and maintaining a community of diverse suppliers increases IBM's opportunity to hear new ideas, apply different approaches, and gain access to additional solutions that respond to customer needs. IBM currently has more than 500 relationships with Minority Women Business Enterprises MWBE/Diverse suppliers to provide goods and services to meet our internal and external requirements. IBM recognizes that answers to our customers' technology challenges come from a variety of sources, and that we align our customers' needs with the appropriate supplier to create a customized solution.

IBM corporate policy states: "...it is the policy of the IBM Corporation to provide minority and women-owned businesses the opportunity to participate in all areas of IBM's marketing, procurement and contracting activities. This policy applies to all areas

of expenditures, whether for products or services. Action should be taken by all IBM organizations to ensure that this policy is implemented and that there are programs which ensure IBM's performance against this long-standing commitment."

IBM has a rich tradition of valuing diversity dating back to the company's founding and continuing today with IBM's commitment of viewing diversity as the bridge between the workplace and the marketplace. In fact, the Department of Commerce recognized IBM with the "Distinguished Supplier Diversity Award", which is sponsored by the Department's Minority Business Development Agency (MBDA), and given to the corporation with the most outstanding results and programs to advance the growth and development of minority businesses.

"Diversity policies lie as close to IBM's core as they have throughout our heritage. Today, we're building a workforce in keeping with the global, diverse marketplace, to better serve our customers and capture a greater share of the on demand opportunity."

--Sam Palmisano
Chairman & CEO, IBM Corporation

In addition to being a corporate policy, doing business with minority and women suppliers is often a client requirement. Supplier diversity yields a competitive advantage to us and our clients in the ever-changing marketplace. It also gives IBM an advantage with the MWBEs, and their communities, who are current as well as potential IBM customers and stockholders.

Diverse Supplier Utilization Program

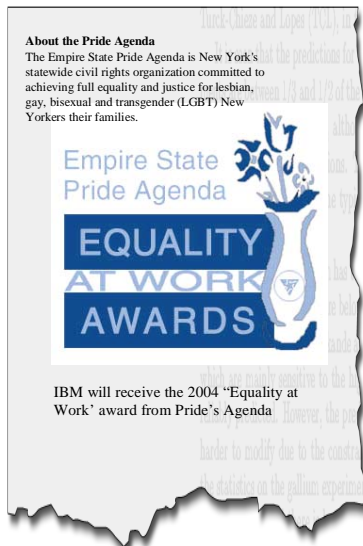
IBM formalized its support of clients' diversity needs in 1968 through our Global Supplier Diversity Program. Today, this program continues with the total support and commitment of IBM executive management. Through strategic alliances and mentor protégé programs, IBM helps MWBEs become full-service competitive suppliers for IBM.

Our commitment to SWAM participation in this Infrastructure PPEA proposal is demonstrated in several ways. First, we have engaged two local SWAM businesses to perform specific services that match their core competencies. Internosis is part of the team providing the enterprise messaging solution. IndigiTech is working in a consultative role on the Internal Applications and Chargeback systems. Further, for services where specific scope still remains to be determined based on the final Statement of Work between the Commonwealth Partners and VITA, we have several SWAM businesses ready to become engaged as valued Commonwealth Partners team members. These companies include Code-X of Richmond, Integrated System Analysts, Inc. (ISA) of Alexandria, and E.L.Hamm and Associates, Inc. of Virginia Beach. Finally, we intend to employ IBM's Go to Market Strategy with Minority Business found in the following sub-section.

The Supplier Diversity Program, which seeks to channel a significant percentage of IBM's corporate purchase dollars to minority owned firms, has provided much needed revenue and technological support to many small disadvantaged firms over the years.

Over the last five years, the amount of purchases from these suppliers has increased by nearly 450 percent, from \$370 (U.S.) million to nearly \$1.2 (U.S.) billion. The amount of IBM's 2003 expenditures includes:

- Total Minority: \$1,172, 176,551 (7.11%);
- African American: \$135.7M (0.82%);
- Asian American: \$837.7M (5.08%);
- Hispanic American: \$143.6M (0.87%);
- Native American: \$55.2M (0.33%);
- Female: \$158.2M (0.96%); and
- Persons with disabilities (and/or Veterans): \$6.0M (0.04%).



IBM's commitment is also seen in the quality of the leadership and advocacy programs that the company offers, such as scholarships, education, and financing assistance, which are among the most innovative in the industry. This includes the Kellogg Graduate School of Management at Northwestern University, as well as mentoring programs that offer constituency-owned business leaders advice and counsel on subjects such as business development, marketing, and e-commerce.

Through initiatives like these, IBM is helping to expand its suppliers' access to new and strategic business opportunities. IBM's goal is to build long-term relationships with its suppliers, not just manage a series of transactions. Suppliers are viewed as an integral part of the team. IBM's goal is to involve them early in the procurement process, provide technical and management assistance, and recognize and promote exceptional performance. As prime on the VTT Program, IBM will bring these practices to bear on this contract, ensuring that

these opportunities are available to Virginia SWAMs.

IBM's Global Supplier Diversity initiatives create business opportunities for diverse suppliers in all areas of IBM's procurement. These initiatives are centrally driven with the support of all business units and geographic locations. Procurement commodity teams, diversity program managers, site/commodity team diversity advocates, community relations managers, market development executives and technical teams support the overall effort. Together these individuals promote the successful implementation of IBM's supplier diversity strategy.

Our Diverse Supplier Utilization Plan is a company-wide subcontracting plan, which covers IBM's domestic procurement of commercial products and services. Subcontracts for production and non-production goods and services, which are procured by IBM through its purchasing systems, are included in this plan.

Supplier Development

IBM has a variety of business and technical resources dedicated to the development of its diverse suppliers. These programs include:

Education: IBM utilizes several educational programs designed to enhance and improve the business skills of diverse suppliers. These programs cover such subjects as quality, financial and management skills, strategic planning and technology. These businesses also participate in various procurement strategy and cost management courses at IBM with our procurement personnel.

External sponsored Mentor/Protégé programs: IBM presently has several mentor protégé programs. The first program began in 1997 with five protégé firms and is sponsored by the Defense Information System Agency (DISA). To date 10 protégé firms have been served by IBM via this program. Examples of assistance provided include:

- Partnership Executive Program;
- Business Developmental Assistance;
- Needs Assessments;
- Financial Services through IBM Global Finance; and
- Special projects such as: Call Center Development, ISO 9000 Certification Preparation, Technical Education and Training, Marketing Campaigns/Lead Generation, Web Page Development, Customer Relationship Management.

IBM sponsored Mentor/Protégé programs: During 2000, IBM's Customer Solutions procurement loaned a procurement staff person to work as a corporate consultant on the Governor of Georgia's 2000 Mentor Protégé Pilot Initiative. Today IBM Global Services is mentoring eight minority and women owned business in Georgia. In 2002, IBM embarked upon an additional mentor program involving our procurement executives, who are assigned as mentoring partners to six diverse suppliers to enhance their development. IBM is open to discussing potential Mentor/Protégé programs for minority firms in the Commonwealth of Virginia.

Regional Town Meetings: These one-day meetings provide an interactive session between IBM executives, managers, procurement personnel, and selected current and potential diverse suppliers.

Corporate Plus: Supports the continued growth of minority firms via expansion of opportunities for businesses that can handle national and global contracts.



Supplier Facility Surveys: In some instances IBM procurement engineers or quality control specialists conduct a facility survey to proactively identify areas needing improvement and assist, if needed, during a company's actual production run.

Performance Feedback: Procurement provides suppliers with timely feedback in order to recognize success and identify areas where additional effort is needed to meet our business needs.

Equipment Loans: IBM loans equipment to qualified diverse and small businesses, which serves to increase their competitiveness for subcontracting opportunities.

IBM Global Commercial Financing (IGCF): IGCF offers specialized financing programs for IBM suppliers. The relationship as an IBM supplier qualifies suppliers to take advantage of many financial service offerings.

Global Expansion: Recently, an internal task force was assembled to improve IBM's worldwide presence on supplier diversity initiatives. Diverse groups receiving IBM's initial global focus include minorities (as defined by each involved country), women and people with disabilities. Task force members include IBM Canada, Mexico, Brazil, Argentina, Europe, and South Africa. This group is tightly connected to the NMSDC's Global Link mission. Through Global Link, Non Government Organizations (NGOs) are being identified and opportunities to implement programs similar to those in the U.S. are being evaluated. The IBM South Africa program is underway as diverse suppliers have been engaged and expenditures with them are being monitored and measured. IBM has become a member of a Brazilian NGO and also intends to become a corporate leader in the European geography.

Program Administration

IBM employs a Global Supplier Diversity Program Director whose responsibilities include the administration of supplier diversity as well as small business programs and related purchasing activities that include:

- Establishing the strategy and objectives of IBM's program and recommending program policy changes as necessary;
- Developing and implementing program procedures;
- Working with line management to establish and attain program goals;
- Reviewing, approving, and distributing program reports to procurement executives;
- Conducting internal audits of the program and verifying execution to performance commitments;
- Participating in organizations that promote the utilization of diverse suppliers;
- Maintaining IBM's participation in outreach events; and
- Referring suppliers to the appropriate diversity program managers or supplier diversity advocates within IBM.

The department also includes individuals responsible for:

- Implementing and managing all phases of the program for their individual commodity or business group;
- Assisting with problem identification and resolution while maintaining a working relationship with the supplier diversity advocates for their commodities/teams;
- Ascertaining that diverse owned small business concerns are afforded full opportunity to do business with IBM and are encouraged to seek IBM contract awards;
- Maintaining relationships and participation with external organizations that support diverse businesses and their development; and
- Monitoring the program activities and performance to objectives of their teams.

Recognition

IBM's history of supporting and developing diverse businesses has formed a strong connection with suppliers and leadership groups that make commitment to diversity a reality. IBM has had the privilege of being recognized for its commitment to diversity by nearly every diverse group. Following is a partial list of awards and recognition that IBM has received in recent years that closely align with our supplier diversity initiatives.

2004	<ul style="list-style-type: none"> • Div2000 as one of their "Top Corporations" • #3 on DiversityInc. Magazine's Top 10 supplier diversity list • Corporation of the Year Award from the Women's Business Development Center of Pennsylvania/New Jersey/Delaware • 2004 Department of Defense Mentor Protégé, Nunn-Perry Award, sponsored by the Defense Information System Agency (DISA)
2003	<ul style="list-style-type: none"> • Div2002.com Multicultural Awards Ceremony as the top U.S. company for business opportunities for women and minority owned firms • National Corporation of the Year Award from the Florida Regional Minority Business Council • Corporation of the Year Award from the Florida Minority Supplier Development Council • Women's Business Enterprise Alliance (Houston) as one of the Top 25 Corporate Champions in supporting women business owners • Corporation of the Year Award by Race for Success, Inc. for demonstrating outstanding leadership and commitment to diversity and minority business development
2002	<ul style="list-style-type: none"> • Distinguished Supplier Diversity Award from the U.S. Department of Commerce's Minority Business Development Agency. This national award recognizes both commercial and federal efforts towards doing business with diverse suppliers. • Corporation of the Year award by the Greater Austin Hispanic Chamber of Commerce • Crystal award for outstanding contribution and leadership in Minority Business development from the Florida Regional Minority Supplier Business Council of NMSDC South Florida • Div2000.com Multicultural Awards Ceremony as one of America's top Fortune 500 Companies for promoting multicultural business opportunities • Top ten companies for diversity by Online Trade Publication for Diversity • DiversityInc.com's Top 10 supplier diversity list

Table 2.2.1-1 – Diversity Recognition

Since 1974, IBM has actively participated in the National Minority Supplier Development Council (NMSDC) and its regional councils. Other Organizations which IBM actively participates in are: the Women's Business Enterprise National Council (WBENC), the National Association of Women Business Owners (NAWBO), the Native American Business Alliance (NABA), the National Society of American Indians (NSAI), the American Indian Association (AIA), the U.S. Hispanic Chamber of Commerce (USHCC), the U.S. Pan Asian American Chamber of Commerce (UPPAAC), and the national Gay and Lesbian Chamber of Commerce (NGLC).

2.2.2 Future vision and strategy

At IBM, we strive to lead in the invention, development and manufacture of the industry's most advanced information technologies, including computer systems, software, storage systems and microelectronics.

We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide.

The information technology market is a dynamic and exhilarating environment -- fast-moving, global, and intensely focused on customer value. Network computing is driving new ways of doing business, spurring dramatic improvements in productivity, changing the competitive landscape of whole industries, and creating entirely new markets.

As profound as IT's impact has been to date, the world is on the verge of something even more profound. Network computing is propelling us toward a world of on demand e-business, where enterprises will be able to respond "on demand" to anything the world throws at them: changes in supply, demand, competitors' moves, customer preferences, capital markets, labor supply. In short, everything from hackers to hurricanes.

In the on demand era, the enterprises that thrive will be those which successfully achieve totally new levels of integration: of processes, applications and employees inside; of suppliers, distributors and customers outside. IBM recognizes this kind of integration is significant, but the rewards are well worth the effort -- an enterprise that is responsive to changes in its environment, flexible in its operations, focused on its core competencies, and resilient to all manner of challenges and threats.

IBM's vision and strategy is to make On Demand Business a reality for our clients. The concept is no longer in dispute. Enterprises are achieving tangible benefits from being on demand — and are increasingly embracing its long-term strategic promise for competitive advantage. IBM will work with VITA to build the technologies and services for the On Demand Operating Environment which will allow the Commonwealth to view its IT infrastructure as a utility – it will be there when you need it.

IBM will continue to deepen its capabilities as a company built on innovation. This is IBM's business model and has been since the company's inception. VITA will be able to evaluate new innovation as it emerges and decide what is right for the Commonwealth, together with the Commonwealth Partners.

2.2.3 Documentation of current facilities

IBM has 1895 owner or leased facilities globally in 91 countries. Within the US, IBM own or leases 683 facilities. Here in Virginia, IBM has 27 facilities listed in the table below. Additionally, IBM has employees working from 88 customer locations within The Commonwealth.

100 TIMBER OAK COURT	LYNCHBURG
811 B N LOUDOUN STREET	WINCHESTER
1960 GALLOWS ROAD	VIENNA
5441 VIRGINIA BEACH BOULEVARD	VIRGINIA BEACH
505 WESTWOOD OFFICE PARK	FREDERICKSBURG
11832 FISHING POINT DRIVE	NEWPORT NEWS
1607 E WASHINGTON STREET	PETERSBURG
272-D MAIN STREET	DUBLIN
3204 W MAIN STREET	WAYNESBORO
5201 LEESBURG PIKE	FALLS CHURCH
1053 PINEY FOREST ROAD	DANVILLE
12902 FEDERAL SYSTEMS PARK DRIVE	FAIRFAX
8000 GRAINGER COURT	SPRINGFIELD
5971 KINGSTOWNE VILLAGE PARKWAY	ALEXANDRIA
355 W RIO ROAD	CHARLOTTESVILLE
333 JOHN CARLYLE STREET	ALEXANDRIA
2101 EXECUTIVE DRIVE	HAMPTON
999 WATERSIDE DRIVE	NORFOLK

5061 FORT AVENUE
110 S SEVENTH STREET
11720 SUNRISE VALLEY DRIVE
6726 THIRLANE ROAD
9220 GODWIN DRIVE
11107 SUNSET HILLS ROAD
9201 ARBORETUM PARKWAY
8401 GREENSBORO DRIVE
8020 TOWERS CRESENT DRIVE

LYNCHBURG
RICHMOND
RESTON
ROANOKE
MANASSAS
RESTON
RICHMOND
MCLEAN
VIENNA

2.2.4 Quality Certification and Honors

IBM has received many recognized certifications and honors. Examples include the Malcolm Baldrige award for quality, Intel's Preferred Quality Supplier award, and the ISO 14001 certification.

IBM Global Services has been recognized internationally for its overall quality efforts. Our quality processes have been audited and accredited as meeting the requirements of ISO 9001, including BS5750 and AS3900. In addition to being ISO 9001/9002 certified, the IBM Global Services Quality Management System also meets the requirements of the Capability Maturity Model of the Software Engineering Institute (SEI) and has been assessed at Level 4 of this model.

2.2.4.1 Productivity Improvement

Instructions to Vendors: Provide internal documented statistics on productivity improvement achieved through the improved processes, and state how these improvements will directly benefit Commonwealth.

In today's challenging economic climate, IBM's operational excellence and cost efficiency are key differentiators. Our ability to provide the leadership to drive a consistent set of standardized processes and automated tools across the Commonwealth environment will improve productivity and competitiveness, while delivering greater value. The Commonwealth will benefit from our vast knowledge and experience which we will share with the Commonwealth. IBM will integrate our proven processes and procedures and integrate them with VITA's processes to drive a standardize process for the agencies in all the service towers and management disciplines. You will not only see the standardize processes in the Help Desk and other service towers, but you also see them in the business transition as we improve the chargeback system, and deploy Project Management Processes.

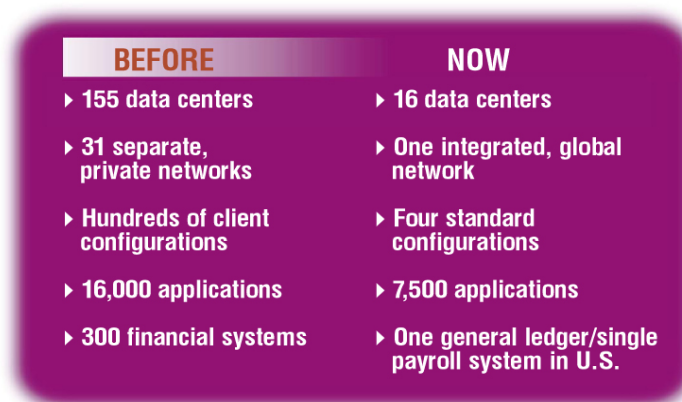


Figure 2.2.4-1 – IBM's Internal Transformation Metrics

IBM has engineered its own transformation and it continues to shape the evolution of IBM's workforce strategy, management systems, and economics and client relationships. In the mid-90's, IBM underwent a

corporation wide Business Process Re-engineering that resulted in a 48% gain in productivity, 35% reduction in cost as well as the metrics noted above in 2.2.4-1.

2.2.4.2 Process capability

Instructions to Vendors: Explain the mechanism for transferring the Vendor's knowledge about process capability to Commonwealth to improve Commonwealth's internal process capability.

A key component of transition is the efficient and effective transfer of institutional knowledge. Commonwealth Partners will form a transition team consisting of experienced Commonwealth Partners personnel to work with VITA personnel assigned to this program. This team will remain together throughout the transition. Commonwealth Partners will identify process improvement opportunities and work with the VITA to share ideas and recommendations for these improvements to establish an agreed upon set of processes for the program. Tasks to address these process improvements, and the associated knowledge transfer, both from Commonwealth Partner team members to VITA personnel and vice-versa, will be scheduled into the transition plan, with key requirement activities, including job overlap periods, documentation needs, training sessions, and shadow support arrangements.

Our approach is supported by structured and continuous closed loop process and communication activities. We will use transition checklists to record the completion of activities. Any outstanding action items identified during a weekly transition meeting will be completed prior to delivery sign-off. The transition management team will determine the status of knowledge transfer by reviewing both transition checklists and open action items during the weekly transition meeting. If the transition management team determines the delivery area transition is complete, VITA and the Commonwealth Partners will sign off.

Commonwealth Partners will implement a communication and training methodology for the end-users including, but not limited to, email communication, tri-folds and stickers, the help desk 800-number, and other information using the best vehicle for the particular information, as well as train-the trainer training.

2.2.4.3 Vendor Quality Certifications

Table 3. Vendor Quality Certifications

Vendor Quality Certifications			
ITEM #	Certification	Certification Date (MM/DD/YY)	VENDOR COMMENTS
1.	% of ITIL Certified service delivery personnel	Not available	<p>IBM has a long history related to ITIL development.</p> <ul style="list-style-type: none"> In the early 1980s, IBM documented the original systems management concepts in a four-volume series called "A Management System for Information Systems". These "Yellow Books" were key input to the original set of ITIL books. IBM has, and continues to significantly contribute ideas to the ongoing development of the ITIL books. For example, IBM recently led the project to write the new Application Management book. IBM is a reviewer and user of ITIL. IBM has many ITIL-certified practitioners. IBM owns a comprehensive Intellectual Capital database that documents IBM's experiences with assessing, planning,

Vendor Quality Certifications			
ITEM #	Certification	Certification Date (MM/DD/YY)	VENDOR COMMENTS
			<p>designing and implementing ITIL solutions globally.</p> <ul style="list-style-type: none"> IBM is active in organizations that promote ITIL and effective service management, such as the IT Service Management Forum (itSMF) in which IBM is a global member IBM Learning Services is an accredited training institute to deliver ITIL certification training. IBM is partnering with industry-leading ITIL tool providers that can be used to support an ITIL-based solution. <p>STI Knowledge will train and certify up to 800 Level I-III support professionals working for Commonwealth Partners or within the Commonwealth Agencies on the ITIL Foundation Course. Objective is to broaden the reach of VITA by including the Commonwealth Agency IT personnel in the classes. The course is two full days.</p>
2.	ISO 9001		IBM has had many ISO 9001 certifications dating back to 1992.
		29 April 2002	ISO 9001:2000 Awarded to IBM on April 11, 2001, latest Issue Date : 29 April 2002, Certificate Number: 82346
		4 July 1994	ISO 9001 ANSI/ISO/ASQ Q9001 Awarded to IBM Global Services – South on 4 July 1994, latest Issue Date: 7 December 2000, Certificate Number: 92101
		29 September 1993	ISO 9001:2000 Awarded to IBM Global Services on 29 September 1993, latest Issue Date: 23 April 2002, Certificate Number: 92045
		6 August 1996	ISO 9001:2000 Awarded to IBM Global Services End User Services – West on 6 August 1996, latest Issue Date: 23 April 2002, Certificate Number: 82346.1.5
		18 March 1994	ISO 9001:2000 Awarded to IBM Global Services Group on 18 March 1994, latest Issue Date: 27 November 2001, Certificate Number: 92048
		10 December 2001	ISO 9001:2000 Awarded to IBM Software Group Worldwide on 10 December 2001, latest Issue Date: 18 December 2001, Certificate Number: 92036
		7 December	ISO 9001:2000 Awarded to IBM Worldwide Server Group on 7 December 1992, latest Issue Date: 15 November 2002,

Vendor Quality Certifications			
ITEM #	Certification	Certification Date (MM/DD/YY)	VENDOR COMMENTS
		1992	Certificate Number: 82346.3.1
		28 November 1998	ISO 9001:2000 Awarded to IBM – Storage Systems Group on 28 November 1998, latest Issue Date: 11 November 2002, Certificate Number: 82346.4.2
		29 June 1995	ISO 9001:2000 Awarded to IBM – Storage Technology Division on 29 June 1995, latest Issue Date: 11 June 2001, Certificate Number: 92044
		19 October 1997	ISO 9001:2000 Awarded to IBM Corporation – Microelectronics Division Worldwide on 19 October 1997, latest Issue Date: 18 December 2001, Certificate Number: 92037
3.	ISO 12207	Not Certified	Focusing primarily on software acquisition and supply and only secondarily on development, ISO 12207 defines, names, and indicates activities that should take place. The standard is neutral in terms of methods, techniques, languages, tools, or organizational structure. IBM's Rational Unified Process is a process framework out of which a concrete process can be represented.
4.	ISO 15504	Not Certified	ISO 15504 focuses on software process assessment. IBM's Integrated Development Process (IDP) supports this framework.
5.	P-CMM level 3	Not available	IBM AMS Integrated Delivery Organization – P-CMM level 3, United Kingdom
6.	P-CMM level 4	Not Certified	To our knowledge we have no P-CMM level 4 certified organizations within IBM.
7.	P-CMM level 5	Not Certified	To our knowledge we have no P-CMM level 5 certified organizations within IBM.
8.	Six Sigma	First Black Belt Certified in the U.S. August 2004	IBM has a practice focused on applying Six Sigma to Quality and Process improvement internally and for our clients. We currently have 110 Green belts, 41 black belts, and 8 Master Black belts, deployed in 9 countries. We've taken 45 projects through to the control phase, and have over 30 in process.
10.	CMM level 4	July 2002	CMM Level 4 Awarded to IBM Global Application Management Services – Latin America, Mexico.
11.	CMM level 5	November 1999	CMM Level 5 Awarded to IBM Global Application Management Services – India.
		November 2001	CMM Level 5 Awarded to IBM Global Application Management Services – APN Japan.
12.	CMMI		IBM was one of the first companies to achieve CMMI

Vendor Quality Certifications			
ITEM #	Certification	Certification Date (MM/DD/YY)	VENDOR COMMENTS
			certification
		October 2003	CMMI Level 3 Awarded to IBM Business Consulting Services Public Sector Solutions Development Group.
		December 2003	CMMI Level 3 Awarded to IBM Application Management Services Software Factory, Brazil.
		February 2005	CMMI Level 3 Awarded to IBM Business Consulting Services Public Sector Solutions Development Group.
13.	BS7799/ISO17799	N/A	IBM has developed our own security guideline called GSD331. This guideline is used in the delivery of all of our outsourcing contracts and supports the intent and requirements of ISO 17799 (BS 7799).
14.	Malcolm Baldrige Quality Award	1990	IBM's Rochester, MN location received the Malcolm Baldrige Quality Award.
15.	PQS	2002,2003	IBM Corporation was named a recipient of Intel Corporation's Preferred Quality Supplier (PQS) award for outstanding performance in providing products and services deemed essential to Intel's success
16.	ISO 14001	1997	IBM became the first multi-national company to earn a single, global registration to the ISO 14001 environmental management system standard. ISO 14001 assists in making IBM's environmental management system more consistent, efficient, and effective; and promotes further integration of environmental considerations into the business.
17.	PMI	Ongoing	IBM Project Managers are required to obtain Project Management Institute (PMI) certification as part of their IBM Project Manager (PM) Certification and must demonstrate their ability to manage projects to successful completion.
End of Table			

Table 2.2.4-1 – Vendor Quality Certifications

2.3 Management Practices and Procedures

2.3.1 Relationship management

Instructions to Vendors: Describe how the Vendor organization will represent itself to Commonwealth from an overall viewpoint. Describe the internal process used to select an individual to be the primary interface to Commonwealth. Discuss treatment of account management, status reporting (hard copy and electronic), performance review meetings (at least monthly), contract management, audits, planning, setting priorities and handling service requests.

Vendor Organization

With a partnering relationship as the central focus of our solution, the Commonwealth and the Commonwealth Partners will create an organization and culture to meet the business and strategic objectives for continuing service to VITA's end user community. Together, we will realize opportunities for cooperative value creation and business development for mutual benefit. We understand that in an outsourcing initiative, we must not only address the needs of the end user but also be considerate of the employees who may be affected by this process. The Commonwealth Partners will work within Relationship Management roles and responsibilities to achieve success not only in service performance but also in the sensitive personnel-related issues.

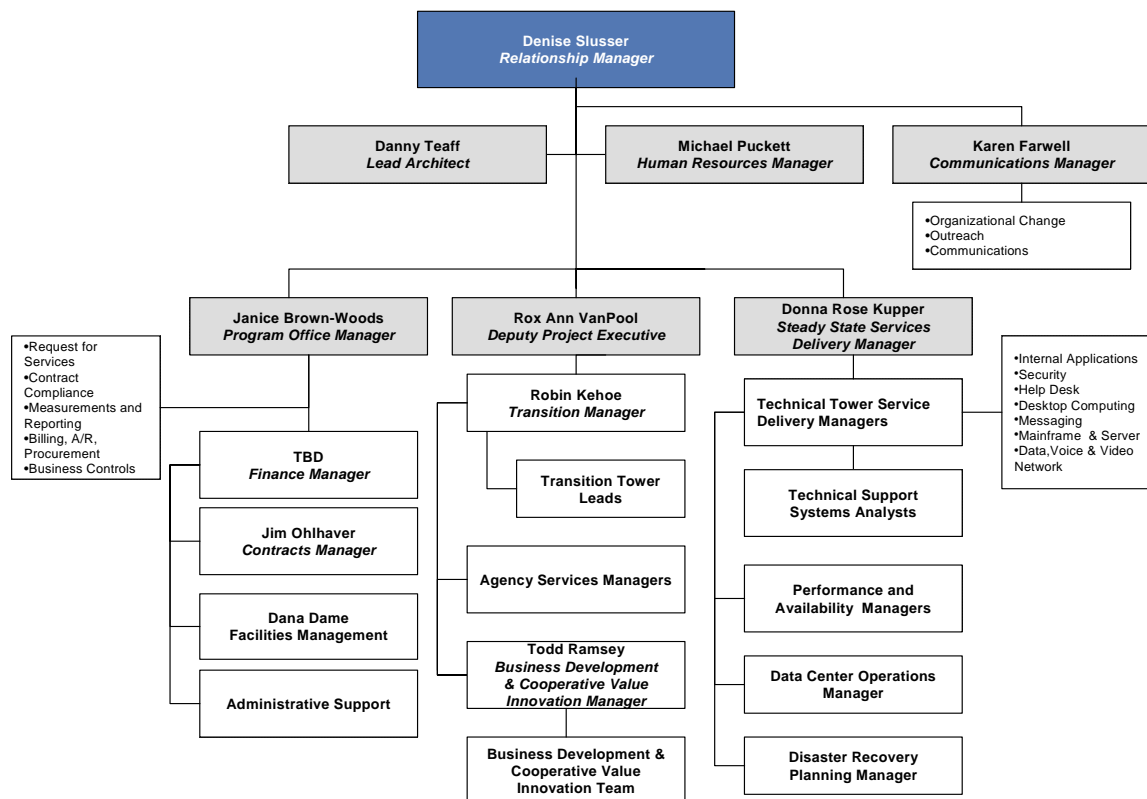


Figure 2.3.1-1

Our proposed organization structure is depicted in Figure 2.3.1-1. Establishing the right organization structure for a program of this magnitude is critical success factor. Communication on all levels of an organization is an ongoing process and must be taken into account. The Commonwealth Partners propose a tiered Organizational Structure and Relationship Management Model to facilitate communications and

management decisions between our management teams. This model is designed to effectively align the Commonwealth's management structure with ours, and enable unambiguous communications between all involved parties. This governance model, which we discuss in more detail later in this section, also provides consistency in the management approach, processes, delivery of services, and business alignment. Our goal is to join the Commonwealth in creating a cohesive project and service management organization supporting the control and direction of the VTTP Infrastructure Services.

Team Member Selection Process

Team members were selected based on proven record of accomplishments in customer satisfaction, service delivery and complex program management.

Our proposed organization is based on the analysis of tasks and activities required in the Statement of Work provided by the Commonwealth of Virginia and our proposed solution for the Commonwealth. Our committed key personnel all have the requisite skills and experience to execute tasks to successful and satisfactory completion.



The proposed Relationship Manager, Denise Slusser, was selected based on her record of exemplary performance in the delivery and management of managed services contracts for State and Local governments. In particular, her experience in supporting two of the Commonwealth of Pennsylvania's enterprise infrastructure initiatives, uniquely qualifies her for this role. As a subcontractor to Unisys in managing IBM's team providing outsourcing services to the Commonwealth of Pennsylvania's DataPowerHouse project, Denise was the IBM Project Executive responsible for services delivered to eleven (of twenty) Commonwealth agencies participating in this enterprise data center consolidation and managed services initiative. Her first hand experience with the Data PowerHouse and the Commonwealth of Pennsylvania's Integrated Enterprise System (Enterprise wide ERP implementation) provides valuable insight and lessons learned that will assist the Commonwealth and VITA in achieving their objectives.

Account Management

Key to the Commonwealth Partners Account Management approach is the use of governance. An effective governance structure is a critical component and important predictor in realizing business value from it. Our proposed approach to governance is designed to align with VITA's leadership and enhance your capabilities to deliver quality services to your constituents with greater flexibility, reliability and lower overall costs.

Our proposed overall governance structure embraces VITA's governance structure which provides for oversight in three primary areas: operation of the IT infrastructure, managing the IT investments, and steering technology.

What is Governance?

Governance is the combination of the people, organization structures, management guiding principles, operational procedures, commitments, meetings, metrics and reporting upon which VITA and the Commonwealth Partners will manage the proposed services sourcing relationship and value creation activities.

Relationship governance is comprised of both a governance structure, which refers to the structures and systems used to plan and coordinate the decisions and actions that are in keeping with the goals and desired outcomes of a relationship among the parties, and governance protocols, which are the enabling mechanisms, or systemic ways, that decisions are made, communications managed conflicts resolved, and the relationship reviewed/adjusted.

Governance Structure

In dealing with large, complex, long-term relationships, we realize the importance of establishing a jointly developed and agreed to governance structure that facilitates the continued alignment of the delivered services with your strategies and goals. It must draw on the skills, experience and intellectual capital of the Commonwealth Partners; it must leverage our joint technology, government, and business transformation experience; and actively focus on both operations and innovation. Such a structure must also support the overall Commonwealth/VITA relationship. It must provide you with the necessary access to the Commonwealth Partners' executive management team.

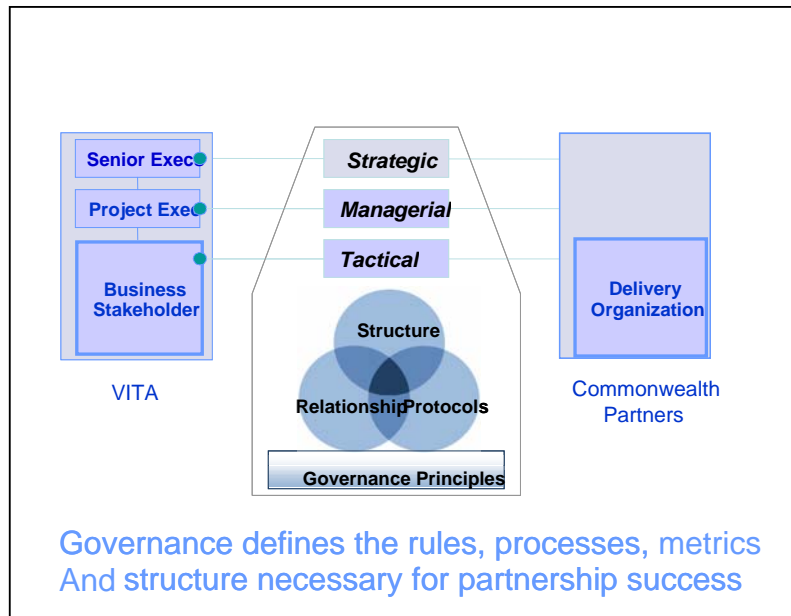


Figure 2.3.1-2 Governance Structure

Our objective when structuring the governance model was to develop a responsive, empowered, stakeholder / citizen oriented organization. The appropriate distribution of activities and responsibilities from a strategic to operational level is crucial to achieving business value, leveraging technology innovation, and realizing required cost reductions and IT efficiencies.

The proposed governance structure addresses governance at three levels, each of which has specific roles and responsibilities which are supported by key members of the Commonwealth and the Commonwealth Partners. This model will be tailored mutually and agreed to by both parties.

Each tier of the proposed governance model has specific roles and responsibilities, and is supported by key members of the Commonwealth and the Commonwealth Partners, as shown in Table 2.3.1-1 Governance Roles and Responsibilities.

- **Strategic:** Business strategy and direction, technology improvements, industry advancements, overall governance and relationship performance.
- **Managerial:** IT strategy and direction, and overall project performance.
- **Tactical:** Day-to-day delivery and operational excellence.

Governance Tier	Governance Mechanism	Roles and Responsibilities	Relationship & Contract
Strategic	Strategy Committee	<ul style="list-style-type: none"> Provides deal context Communicates Changes Formulated Strategy and Policy 	Resolves Disputes
Strategic	Business Development Committee	<ul style="list-style-type: none"> Assesses Market Opportunities Develops business plans 	Develop and implement existing and new Service and pricing
Managerial	Operations Committee	<ul style="list-style-type: none"> Executes deal strategy Prioritizes initiatives 	Resolves Disputes
Managerial	Communication and Change Management Committee	<ul style="list-style-type: none"> Identifies stakeholders Identifies cultural issues and needs of stakeholders Establishes Communications and Change Management Plan and Objectives Addresses Culture/Stakeholders 	Develop and implement policies and procedures for effective and efficient Communications and Change Management practice
Managerial	Technology Committee	<ul style="list-style-type: none"> Architectural Direction Standards Integration 	Provides direction and enforces standards.
Managerial	Relationship Manager	Ensures Overall Relationship alignment	Owns Vendor relationship
Tactical	Project Management Office (PMO)	Focus on service quality Continuous improvement of services Daily Performance and management of services.	Monitors contract compliance
Tactical	Contract Manager	Ensures Contract alignment	Monitors contract compliance
Tactical	Financial Manager	Ensures Financial alignment	Monitors financial compliance
Tactical	Performance Mgr(s)	Ensures Service Level alignment within respective Tower	Monitors Service Level compliance
Tactical	Service Delivery Mgr(s)	Ensures Service delivery alignment within respective Tower	Manages day-to-day delivery of Services for respective Tower(s)

Table 2.3.1-1 Governance Roles and Responsibilities

Strategic Governance

The committee's within the Strategic Governance entity, will provide overall direction for the VITA and Commonwealth Partners relationship to explore opportunities, to expand and exploit the relationship, to facilitate the alignment of the Commonwealth's IT and business strategies, and to set long-term objectives for added business value. Their role is to focus on opportunities for co-creation of value, to sponsor new initiatives for enablement of the Commonwealth's business strategy, to remove obstacles to existing initiatives, to communicate consistent relationship-supporting messages, and to adjust strategies to changing Commonwealth business demands.

The strategic level allows VITA's and the Commonwealth Partners' executives to look ahead at the Business and IT Strategy, and then set the direction for the IT teams. With this approach, we will be closely aligned, and the Commonwealth Partners will be better positioned to leverage IT resources and capabilities to provide a sustainable business advantage to the Commonwealth.

Managerial Governance

The Managerial Governance entities will manage the business relationship between VITA and the Commonwealth Partners, execute business objectives, and enable key projects and programs to be launched and managed for the successful delivery and harvesting of projected business benefits. These committees receive, review and comprehend the directions from the Strategic Governance Committees, and translate those directions and initiatives into executable projects, funding requirements and plans, resource requirements and plans, and measurements or indicators of success. The Managerial Governance entities will pass these business plans and IT plans to the Program Management Office for communication and execution to the tactical teams. The Managerial Governance entities will report results, obstacles and recommendations to the Strategic Governance Committees.

Tactical Governance

Program Management Office

The "Program Management Office" (PMO) will have a primary focus on service quality and continuous improvement of the services, and will review the Commonwealth Partners' daily performance and management of the services. The PMO will report to the Strategy Committee on issues and obstacles that are unresolved as well as appropriate samples of successes.

The tactical level is focused on the operational and frequent interactions that result in effective change management and service delivery activities. The consistent, high quality delivery of the required services to the Commonwealth's stakeholders and businesses is the primary concern at this level. It is the task of this layer to ensure that the schedule of changes is communicated effectively and that changes are implemented as planned, required and authorized.

The PMO activities will include the following:

- Overseeing all day to day operational functions;
- Overseeing the application of the change control and change management system;
- Overseeing the escalation processes (e.g., processes related to problem and crisis management) where those problems cannot be resolved through collaborative decision-making protocols or conflict resolution techniques;
- Reviewing Service reports to ensure that service levels are being satisfied;
- Identifying upcoming events that may result in changes in service demand or that might adversely affect performance of the services;
- Preparing reports for the Executive Management Committee to highlight Service issues such as missed service levels, possible changes in demand for the services, and requirements for re-alignment of services;
- Identifying and recommending requirements for infrastructure changes to the Executive Management Committee;
- Reviewing and discussing client satisfaction and service quality improvements and reporting on such issues to the Executive Management Committee; and
- Continually reviewing the support processes, tools and methodologies used to provide the services to identify potential upgrades, projects, processes and programs that facilitate cost savings and service level improvement.

Governance Protocols

The Commonwealth Partners strongly believe that a successful relationship requires more than just an organization, committee structure and management processes. In view of that perspective, we recommend the joint adoption and implementation of guiding principles to drive the desired behaviors of the parties in and affected by our relationship. It is our recommendation that the following relationship management mechanisms be formally implemented among our teams:

- Decision Making Mechanism;
- Communications Mechanism;
- Conflict-Resolution Mechanism;
- Code of Success;
- Measures of Success/Metrics; and
- Relationship Monitoring Mechanism (Relationship Review/Alignment).

Initial facilitation and coaching in the use of these tools can be provided during the Relationship Launch Process described in the Establishing Governance sub-section, later in this section.

Decision Making Mechanism

Important decisions will have to be made on a regular basis. Many decisions will affect multiple parties. Determining up front who should be involved in which decisions and in which role can significantly increase the quality and speed of making decisions.

Communications Mechanism

Communicating change in the right way and at the right time has always been a major challenge in alliances, both within one's own company and with the IT provider. To deliver value and keep the relationship vibrant, we will need to manage communications with each other effectively. Determining up front what information will be communicated, with whom, and how can make a significant difference. Even such a presumably simple decision as which medium to use (meeting, email, phone conference, et cetera) can be a critical issue which requires conceptual thought. A communication grid will help to plan, describe and document the communication activities.

Conflict Resolution Mechanism

It is inevitable that conflict will arise over the course of the partnering relationship. It is critical to manage conflict together, manage it well and in time. This mechanism aims to resolve conflicts at their origin when possible, escalate conflicts in a structured way, and resolve conflicts in a joint collaborative way, thus helping committees manage both conflict escalated to them and any conflict that develops within them. Powerful, proven tools and techniques will be deployed within this mechanism.

Code of Success

The joint establishment of "Rules of Engagement" is critical to building the culture and atmosphere of how our teams will work together. These jointly established ground rules will serve to remove barriers to communications, reduce time in accomplishing objectives, and increase clarity regarding the inter-organizational linkages and events as they occur.

Measures of Success / Metrics

A key element of relationship governance is providing an ongoing commitment that the partnering relationship will continuously meet VITA's business and performance expectations through the documentation and understanding of issues, as well as via focused actions.

Once the parties have defined what kind of relationship they want to achieve, they will establish measurable characteristics and qualities which they deem important to make the arrangement successful. There might be a numerical rating for such things as trust and understanding, dealing with differences, communication and learning together. An instrument might also include a section which provides for qualitative responses to invite suggestions for how the arrangement might be improved. The results from such an instrument help to monitor and address the feasibility and effectiveness of the governance protocols. The table below suggests some criteria which might be used to measure the success of a relationship.

<i>Success Criteria</i>	<i>Objective</i>
Accountability	Clarity of roles, accountability framework
Decisions	Clarity of decision-making processes
Communication	Communication that pertains to managing strategic change, managing end user expectations, the evolving business agenda and updating one another on the value delivered to each other
Redundancy Elimination	Minimize or eliminate redundant efforts among projects
Coordination	Identify whether there are opportunities for additional coordination between projects to maximize benefits
Collaboration	Use collaborative tools for joint problem solving and conflict management
Stakeholder Commitment	Adhere to governance guiding principles

Table 2.3.1-2 – Success of a Relationship

Relationship Monitoring Mechanism

Over the lifetime of a managed services arrangement, the relationship between parties will evolve and change. Proactively assessing and adjusting how the relationship is managed is critical. The Relationship Monitoring Mechanism should enable the Strategy Committee to regularly assess the relationship.

The relationship review process closes the loop on governing a partnering relationship by documenting indicators and perceptions that identify potential areas for focus and development. Without such a review in place, dysfunction may be written off as interpersonal issues rather than inter-organizational issues that require attention. An assessment can provide clues if one of the foundations for inter-organizational governance is weak or not supporting a joint direction.

This auditing mechanism can be used to check the concise relationship addressing the totality of the working relationship or to selectively check for instance, the governance structure or the usage and value of a single enabling mechanism.

Governance Principles

By utilizing our relationship methodology, we expect VITA and the Commonwealth Partners to be able to proactively manage the overall relationship and our unique partnering relationship in a collaborative manner so that we can both enjoy:

- Aligned expectations;
- Minimal gaps between perceived and delivered value;
- Enhanced capabilities to manage the organizational relationship;
- Effective organizational interactions;
- Convergent management practices for the relationship;
- Good communications at all levels; and
- Optimal business results.
- Benefits of Governance

The objective of this organizational relationship alignment capability is to:

- Build, enhance, and perpetuate long-term business relationships that sustain mutual growth and profitability;
- Ongoing management of the Value Exchange;
- Optimize value to both parties in the business relationship;
- Enable the parties to work better together and leverage each other for optimal value;
- Establish a framework for aligning behaviors, measurement systems and management systems;
- Provide tools to manage the business relationship; and
- Reduce frictional cost (check the checkers).

Tools for Relationship Governance

IBM treasures our reputation as a valuable team member to our clients and as a leader in the market place. We have developed a methodology for proactively managing long-term organizational relationships with a focus on mutual value exchange called Relationship Alignment Solutions (RAS). The implementation of the various RAS approaches and methodologies will substantially contribute to a healthy, vigorous relationship based on business value exchange and mutually agreed upon processes and operating protocols.

The Process for Establishing Governance

Using our methodologies and tools, we will establish and monitor the governance model during these two project phases:

- Relationship Launch – we establish the initial governance model during transition.
- Relationship Alignment – we monitor and adjust the governance model throughout the life of our agreement.

IBM recommends a quick “health check” three to six months after the Comprehensive Agreement launch. Depending on the outcome, this can be repeated shortly after adjustments have been made. Otherwise a 12 month cycle is appropriate.

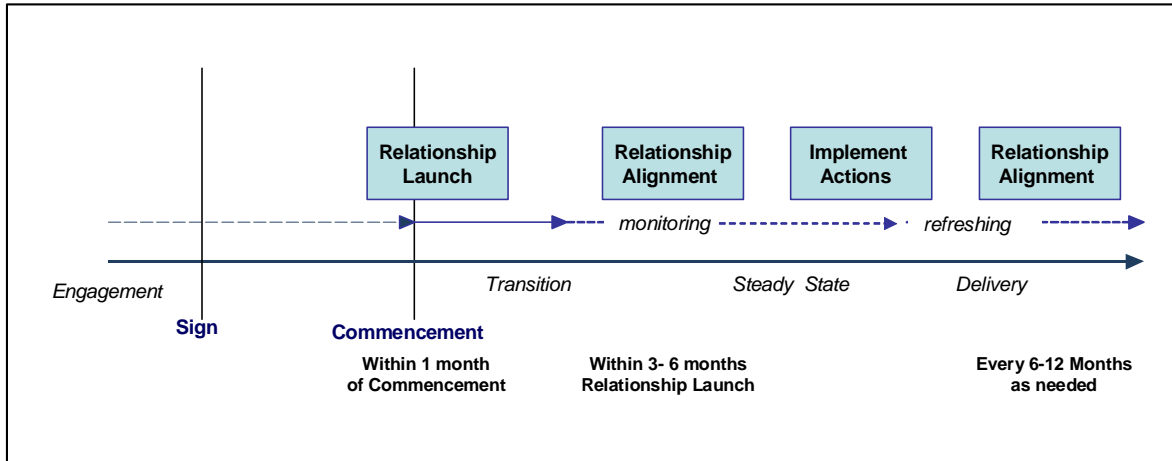


Figure 2.3.1-2 Governance Process

Figure 2.3.1-2 Governance Process; describes the governance tasks, deliverables, and commitments from VITA and the Commonwealth Partners for each phase.

Status Reporting

Our experience has shown that open, frank communication between a customer and their vendor partner is crucial for project success. The Commonwealth Partners will focus on strong communication ties at technical, managerial and executive levels.

Status Reporting takes on various forms in a program of this magnitude. Status reports, status meetings, and dashboards of metrics are components of a communication strategy and plan that is essential to communicate status and progress. The Commonwealth Partners process is one of the most effective vehicles in communicating progress because it not only informs stakeholders of the program's progress; it also provides a venue for stakeholders to offer feedback. The critical element is that information is timely, accurate, and targeted toward impacted audiences.

The Commonwealth Partners will submit a Measurements Report on a monthly basis using dashboard technology.

Subject to the Commonwealth's review, IBM proposes a communication plan for reporting status that includes:

- **Daily Operational Status Reports:** Each day a status report of the current status of operations will be developed. This allows the Commonwealth Partners and VITA Management to have insight daily to the status of operations and will provide timely notice of any issues, risks or concerns that have been raised.
- **Weekly Change Review Board Meetings:** Each week a Change Review Board Meeting will be held to discuss any planned changes to the program or infrastructure or maintenance window coordination. The meeting will be held with all key team members so that crucial communication and planning can be established to ensure smooth implementation of changes or trouble free maintenance updates. Additionally any emergency changes that have occurred during the previous week will be reviewed
- **Weekly Status Meetings and Reports**
 - **Project Plan Review:** An overview of the project plan status.

- Issues/Problems: A list of open issues/problems with suggested resolutions. Additionally, any issues/problems that have been closed during the week will be provided along with the final resolution.
- Completed/In Progress/Planned Tasks: A snapshot of the work plan status. This task will review all tasks completed in the prior week, status of tasks in progress, along with a focus on tasks planned to close in the following 1 – 2 weeks, to ensure the overall program on schedule. If tasks are behind schedule, recovery plan recommendations will be included in the Status Report and discussed in the Weekly Status Meeting.
- Monthly Measurements Meeting and Reports: The Commonwealth Partners will hold a monthly Measurement's meeting. During the meeting, we will provide a monthly view of the Program using dashboard technology. We will also discuss monthly SLA attainment measurements while providing a monthly management review of all items included in the weekly status reports and the overall contract status, denoting any contractual issues or potential contract issues along with recommendations for issue resolution.

After the meeting, changes and revisions will be incorporated and a final Measurements Report will be provided. The report will also be distributed to a list of personnel as directed by the Commonwealth. This distribution list will be maintained in the Communications Plan.

All written reports will be provided to VITA in electronic format. The Commonwealth Partners will gladly provide hardcopy versions of our status reports if required by VITA.

Performance Reviews and Reporting

Performance Reviews and Performance Reporting are critical communication tools to assist in achieving smooth day to day operations and mitigate potential outages. The Commonwealth Partners will continuously monitor performance and trends in system resource utilization. This will allow the team to bring forward tuning recommendations to avoid missing SLR objectives and to employ the resources to their full potential.

Effective Performance Management requires diligent review and monitoring processes to maintain high quality services. Two key reports related to performance that we will employ are:

- **Service level performance report** – shows service level requirements and objectives compared with actual performance for the current reporting period. It will include action plans, if necessary, where service levels are not achieved.
- **Performance trends report** – presents a high-level view of all systems and applications for an extended period of time. Actual performance trends are mapped against the service level requirements and objectives to produce summaries that enable a quick and easy understanding of adverse trends or validate new implementations designed to improve previous trends.

Each report helps our Program Director to evaluate the overall effectiveness of our service delivery. Our plan is to hold monthly Performance Reviews with VITA to review the overall performance and will produce the report package monthly or when performance trends require executive management involvement. As the Commonwealth Partners will be monitoring performance daily, we are open to more frequent performance meetings at the request of VITA.

Contract Management

Our goal is to join the Commonwealth in creating a cohesive project management organization supporting the control and direction of the Infrastructure Services and the critical business of the Commonwealth and its citizens.

As part of the Monthly Measurement Meetings and Reporting, the Commonwealth Partners will conduct a monthly review of our overall contract status with the Commonwealth's Relationship Manager to address the current status of technical and programmatic progress and how it relates to the overall contractual obligation.

Audits

The Commonwealth Partners will implement an internal audit readiness plan. The objectives of the plan are to:

- Identify the Review and Audit activities for the Account
- Provide reference to IBM Corporate Directives
- Identify, and provide reference to, the operational processes used in Review and Audit
- Administration activities
- Schedule and administer all Audits and Reviews conducted on the Account
- Review the results and observations from Reviews and Audits and manage the resulting actions to closure
- Define and implement continuous improvement activities

The Project Office Manager, Janice Brown-Woods, will be the business owner for the audit readiness plan and will act as focal point for Commonwealth initiated reviews and audits. She will receive and respond to all requests for data and information.

In the event of an audit, the Project Office Manager will:

- Act as the single focal point for all information requests
- Provide prompt delivery of requested documentation to the auditors
- Arrange interviews with Commonwealth Partner team members
- Attend all audit interviews on behalf of the Commonwealth Partners
- Review and clarify findings and final report
- Document report response

IBM Quality Assurance will conduct an Initial Program Process Review in the first six months of the contract to confirm that business controls and management control procedures have been implemented.

Annual Project Management Reviews are conducted as part of the Corporate Worldwide Quality Assurance processes. Commonwealth Relationship Management personnel will be invited to participate in an interview portion of this review to gain valuable feedback on your view of our performance

Audits may be programmed and managed by IBM Headquarters to assess the controls posture for the account against selected audit programs.

IBM internal audit processes, reports and results are considered confidential and proprietary.

SAS70 audits will be conducted annually in accordance with the Agreement Section 18.1. These audits will be based on control objectives and the mutually agreed Management Procedures Manual. Results of the SAS70 audit will be shared with the Commonwealth and action plans, if required, will be developed and managed to closure.

Planning and Setting Priorities

Starting with the onset of the engagement with the Commonwealth, our annual planning process will include meetings between the Commonwealth's Relationship Manager and the Commonwealth Partner Relationship Manager, Denise Slusser, to discuss expectations and objectives for the upcoming year. If applicable, feedback from the prior year's executive satisfaction survey will be input to this plan, as will detailed input from each of the VITA's customers. Denise Slusser working with the VITA Relationship Manager formulates joint objectives, which are then shared with both VITA and IBM's executive management and account team.

Through our Monthly Measurement Reviews and Quarterly Strategy Committee Meetings, we will monitor our progress toward meeting the objectives and expectations directly within the Commonwealth leadership. We will also review the priorities set forth in the annual planning process to evaluate if the relative importance of each priority at the given time along with any new items which would need to be prioritized. Monthly Measurement Reviews will also focus on service delivery performance in the prior period and plans for future initiatives. Including a formal performance management process in contracts is paramount to achieve the results and transparency senior management requires. A formal process allows better relationship and performance management, which in turn helps both parties to be responsive and flexible.

Progress against objectives and service delivery performance will also be reviewed internally by our management, on a monthly and semi-annual basis.

Handling Service Requests

Service requests or Request for Service (RFS) will be initiated by the Commonwealth's Relationship Manager or the Commonwealth Partner's Relationship Manager. Each RFS will be reviewed by the respective Relationship Managers for both in and out-of-scope work requests. The detailed process and procedures for addressing Work Requests will be documented in the mutually agreed upon change management procedure, which will be included in the Procedures Manual.

A Work Order will be initiated and signed by the Commonwealth Partners Relationship Manager with a written proposal for completion of the requested work that will include: specifications, implementation plans, and a firm price quote of the charge to implement the Work Request that is valid for ten (10) business days, unless stated otherwise on the Work Order.

If the Commonwealth's Relationship Manager is in agreement with the RFS, he or she, prior to the expiration of the Response Period (ten (10) business days from the date of the Work Order) will sign the Work Order. The signed Work Order will be considered a Notice to Proceed, and must include a Purchase Order from the Commonwealth as an authorization for work to begin. The detailed process and procedures for the written proposals to complete a Work Request and Work Orders will be documented in the mutually agreed-upon change management procedure, which will be included in the Procedures Manual

2.3.2 Change/Release management

Instructions to Vendors: Describe the process for ensuring proper coordination and control of all changes/releases, policies and procedures in order to minimize service interruption or degradation. In addition, the proposal should describe how the Vendor's change/release management process will interface with Commonwealth application development processes and sub-contractors. Specifically how these parties will leverage the same tools sets to facilitate process integration. In addition, describe your proposed approach to for establishing and utilizing a test lab.

Vendor should also demonstrate ability and experience with addressing Commonwealth regulatory requirements (e.g., Federal mandates, HIPAA).

The Commonwealth Partners understand the critical nature of Change Management and will establish a comprehensive, integrated Change Management process to fully support VITA's objectives. This approach supports our mutual goal of effective management of modifications to services and activities associated with the IT environment. Our change management processes eliminate or minimize negative impact to your environment due to modifications.

Change Management Overview

Our Change Management Procedure is comprehensive and integrated. It addresses both the strategic and tactical aspects of the entire business context simultaneously. Strategically, our Change Management approach will focus on assisting VITA and your constituents to leverage the services we provide as an IT enabler of strategic opportunities, such as e-government. Tactically, our Change Management approach will focus on the management and deployment of specific VITA technologies to support your employees, constituents and other users. By simultaneously addressing the strategic and tactical implications, we can continuously align and balance technologies with immediate and future needs of VITA while minimizing or eliminating disruption of business. The results will allow VITA to provide world-class technologies that enable new strategic opportunities and a catalyst for your continued nationally recognized e-government initiatives and accomplishments. The strategic Change Management process and tactical Change Management procedures will be re-evaluated on a regular basis for continuous improvement of the organization, processes and technology within the Virginia Transformation Technology Program's evolving business context. Organizational change management is addressed in Section 11.3.1.



Figure 2.3.2-1 - Change Management Work Breakdown Structure

The Change Management process includes the involvement of varying levels of management necessary to effectively deal with varying magnitudes of required changes, including responses supporting disasters and other unanticipated emergencies. Together we will implement a set of integrated procedures, processes, and tools for Change Management, Call Center, problem management, and asset tracking activities.

The goals of our Change Management approach are to assist VITA in providing innovative technologies that enable new strategic opportunities, increase VITA's return on investment, and eliminate or minimize negative or unforeseen impacts to service. The Change Management solution will be jointly developed and approved by the Commonwealth Partners and VITA.

Joint Development of Change Management Procedure

The Commonwealth Partners have extensive experience in creating solid Change Management solutions customized to fit each customer's unique requirements. Our processes and procedures will be tailored to include VITA requirements and representation. This adaptation will occur during the transition phase and will result in documented procedures for the execution of Change Management processes.

The Change Management transition activity will include a review of VITA's existing Change Management processes and procedures. We will work with the designated personnel to create documented Change Management procedures. The resultant process and procedures manual will include provision to support continuous improvement processes, periodic review and updating, designation of authorized VITA representatives, and definition of appropriate approval levels.

The following subject matter will be addressed and included in the enhanced Change Management process for VITA, and documented in the Change Management Procedures Manual:

- Change definition categories (in-scope, out of scope, emergency);
- Identification of personnel allowed to request changes;
- Change Management request/review/approval processes;
- Change Management instructions;
- Change Management back out plan guidelines;
- Announcement and scheduling of change requests;
- Completion notices on changes;
- Verification of change functionality; and
- Change Management status meetings.

Change Management Functions

We will conduct all changes according to the established Procedures Manual. This manual will be a joint effort between VITA and the Commonwealth Partners and it will help enable the implementation of best practices to support the change management functions and activities in the VITA environment. The process includes ongoing review of the manual to adapt to changes to your environment and for continuous improvement.

Approval for Service Changes

We will obtain prior approval for all changes to services as provided in the Change Management Procedures Manual. Approval will be obtained from the designated VITA personnel. VITA will be requested to provide a list of approving authorities and timeframes to facilitate the compliance process.

Coordinating Service Changes

A key element in our change process is a review of the proposed change, its scope, and the affected business units that are impacted by the proposed change. The Commonwealth Partners will identify a Change Coordinator who will hold a Weekly Change Review Board meeting designed to review upcoming changes with all key stakeholders of the change, including scheduled outages, along with a recap of the prior week's changes. In reviewing past change implementations, an evaluation of the

overall success will be discussed. If lessons learned are acknowledged, these lessons learned will be incorporated into future change management processes and procedures as appropriate.

The results of this review will be the key elements in the scheduling and notification process. The review will also address service protection and back up measures where appropriate. No changes will be made to the services without the proper approvals from designated parties. Timely notification will be provided to VITA and the affected business units to minimize potential disruption of services. The Change Management process includes the involvement of varying levels of management necessary to effectively deal with varying degrees of required changes. Also included is the Change Management verification process that will be documented in the procedures manual.

IBM will provide change and problem management integrated processes and tools, which include a web interface for stakeholders involved in the change process, such as VITA management and the application develop organization. We will use e-ESM tool suite for change management and IBM's Manage Now, as the web interface. For additional details on the change management process and the e-ESM tools suite, refer to section 11.3.2 Cross Functional Services.

Scheduling Outages

The standard process commits to providing scheduling of installation and maintenance activities for services during VITA's specified maintenance window. If a change needs to take place immediately for restoration of services, the Commonwealth Partners will obtain approval from VITA's designated representative.

Collection of Data

The change management system, which will be used to support VITA, will collect individual change data. The system will provide data collection by service category on every change attempted and completed. The resulting data will be summarized for reporting purposes and will be available for review by VITA on a monthly basis.

Elements of Effective Change Management

A key element in our change process includes a review of the proposed change, coordination and communication across groups, locations, scope and the affected business units that are impacted by the proposed change. The results of this review will be the key elements in the scheduling and notification process. The review will also address service protection and back up measures where appropriate. Clear assignment of responsibility for each change will be made and coordinated by the PMO. The PMO will also have responsibility for coordinating regular progress updates for each change implementation.

No changes will be made to VITA services without the proper approvals from designated parties. Upon agreement, timely notification will be provided to VITA and your affected business units to minimize potential disruption of services.

The Change Coordinator will have responsibility for compiling a description of each change request, purpose, justification, risk analysis (impact assessment), and schedule for change implementation in the change management request ticket. A comprehensive contingency plan for each high risk or high impact change will be developed and made a part of the back up or restore plan for the change. This contingency plan will include the back out or restore procedures, notifications, escalation lists, work-around plans, and affected resources. The PMO will also verify that the implementation procedure, back out procedure, and test verification plan is documented for each change. A complete test plan will be a part of every change implementation procedure. The PMO will have responsibility to verify that all necessary approvals and notifications have been obtained in advance of implementation, including those of affected users and business units, as specified by the Procedures Manual.

The following elements will also be addressed for each change:

- Notification to the Help Desk Management of all scheduled change activity;
- Integration of changes and their dependencies across in-scope platforms and sites;
- Documentation and audit trail for the performance of each change;
- Review and approval process so that change procedures are non-disruptive; and
- Review and notification at least 24 hours prior to implementation with designated users.

Communication with Designated Users

A key element in our Change Management process includes a review of the proposed change, coordination and communication across groups, locations, scope and the affected business units that are impacted by the proposed change. The results of this review will be the key elements in the scheduling, notification, and approval process. The review will also address service protection and back up measures where appropriate. Clear assignment of responsibility for each change will be made and coordinated by the PMO. Those with responsibilities for a given change are required to participate in the Weekly Change Review Board Meetings while the change is active in the process. The PMO will also have responsibility for coordinating regular progress updates and communications for each change implementation.

If the change was a result of a call to the help desk, the Help Desk Professional, with PMO coordination, will provide notification that the change is complete and ask for validation that the change is acceptable to VITA or authorized user prior to closing the Change Management request ticket.

Routine Maintenance

The goal of the Change Management process is to eliminate or minimize negative or unforeseen impacts to service. Performing changes during mutually accepted maintenance windows is a key part of this process. Advance approvals will be obtained from VITA for all maintenance activities prior to scheduling and performing the required maintenance activity. The Commonwealth Partners will be responsive to requests from VITA to change the maintenance windows with reasonable notice.

In all cases, the Commonwealth Partners will adhere to the Procedures Manual to schedule and perform routine maintenance with the approvals and notifications required in the Procedures Manual. When the need to perform emergency maintenance is identified, this maintenance will be performed with the proper notifications required by the Procedures Manual and minimum impact to VITA's business and operational needs. System down time will be avoided and minimized to the extent necessary for system maintenance purposes.

Test Lab

The Commonwealth Partners have included test LPARs in the mainframe environment along with test servers for the midrange environment in support of the change management process. All changes to the mainframe and midrange systems, including applications which run on these systems, must be tested through the test environments, with documented successful test results prior to being approved by the Change Management Board for implementation. Additionally, any and all other changes, deemed to have an impact on the Commonwealth of Virginia's IT environment must have documented test plans and results, and approval of the Change Management Board prior to implementation.

Regulatory Requirements

IBM's security personnel will work with the Commonwealth to document, via the Base Information Security Controls and the Implementation Manual, (together known as the GSD331), the IBM and Commonwealth specific controls that need to be implemented on specific platforms/subsystems to comply with the Commonwealth's security and compliance requirements. This document and all attending processes and procedures will be reviewed by appropriate Commonwealth Partners annually for currency and compliance

IBM has experience working with regulatory requirements for various organizations including Securities Industry Automation Corporation (SIAC), Premera Blue Cross, Commonwealth of Pennsylvania, California Child Welfare and Arizona Department of Transportation.

2.3.3 Problem management

Instructions to Vendors: Describe the Vendor's process for problem management including: problem logging, problem resolution, tracking of unresolved problems, problem escalation procedures, and problem closeout and reporting practices. Vendor should describe the integration of problem management across sub-contractors, if applicable, such as the use of a single trouble-ticket tracking system.

Problem Management & Risk Management

Problem/Issue Management

An issue is any open item that may adversely affect the project's ability to achieve success targets. Adverse effects include diminished quality, increased costs, delayed completion, a dissatisfied sponsor, or ultimately, project failure. The management of issues is a vital undertaking for any project. By managing issues in a timely and structured manner, we will proactively reduce the likelihood of project disruption, reducing potential cost and schedule impacts. The PMO has overall responsibility for Problem/Issue Management.

Closed Loop Process

Our approach to Problem Management includes a closed loop process, a standardized process that is an integral part of our portfolio. A closed loop process is used because our objective is to continuously improve our processes and levels of service. It involves the detection, reporting, and correction of problems that impact IT resources. Once problems have been rectified, root cause analysis is performed and modifications are made to our processes or infrastructure when warranted to eliminate future occurrences. This process focuses on all deviations from expected norms or events that result in a loss or potential loss of the availability or degradation of the performance of IT resources that fall under our agreement. This process is documented and managed by our service delivery team, and will be implemented through specific procedures for VITA.

Issue Logging and Tracking

A critical success factor in establishing effective management controls is creating and maintaining a Problem/Issues Log as a living document. Problem/Issue status will be tracked and communicated regularly to VITA as part of the project management process, to allow both of our organizations to understand the status of current issues and what actions are being taken for closure. Problem/Issue Management is handled both at the Program Level and the Project Level.

Issue Resolution

Once the issue is logged, the next step is to begin issue resolution. Our structured approach to problem/issue management provides the basis for successful containment and resolution of

problems/issues. Our approach provides the framework for analyzing and evaluating issues/problems, and it defines a strategy for gaining closure quickly and effectively.

Our issue/problem management approach stresses four key elements:

- Identify, and prioritize the problem / issue based on program;
- Analyze actions for resolution;
- Implement action plan for issue resolution;
- Evaluate results to confirm the issue is closed.

Issue Closure

Issues will remain open until the originator of the issue closes the issue, or until both the Commonwealth Partners Relationship Manager and the Commonwealth Relationship Manager agrees to close the issue based on documented closure criteria for the Issue. Issues may be closed prior to the completion of root cause analysis. This will not stop the completion of the root cause analysis as this is a critical step in reducing the overall number of issues generated

Issue Reporting

Issue reporting is integrated into the overall reporting processes for the program. Issue logs are reviewed in the Weekly Status Meetings and included in the Weekly Status Report as well as the Monthly Measurements Status Meeting and Reports. On the rare occasion that a significant issue is open, daily or even hourly issue reporting on the specific issue may be implemented until the issue is resolved.

Emergency Contact and Escalation Process

We will maintain an emergency contact list and escalation procedures to report and resolve problems. Together, the Commonwealth Partners and VITA will establish an Emergency Executive Notification and Escalation process. This process will define the decision-making hierarchy, multiple contact information, and designated alternates with each authorized agency. The process will also provide crisis update frequency requirements, severity levels, and update formats to be used.

The team currently uses this practice with existing customers and the intent is to utilize this same standard for support of the Commonwealth. The list will be generated to reflect the severity of the problem and response time requirements to meet the operational requirements of VITA and your business units. VITA will be requested to approve the initial list and any subsequent changes.

Risk Management

All projects have risks. A risk is a potential event or future situation that may adversely affect the project's ability to achieve success targets. Adverse effects include diminished quality, increased costs, delayed completion, a dissatisfied sponsor, or ultimately, project failure. The management of risk is a vital undertaking for any project. By managing risks throughout the project life cycle, we will proactively reduce the likelihood of project disruption, rather than reactively dealing with problems after they occur, thus reducing potential cost and schedule impacts.

Overall responsibility of the Risk Mitigation Plan is assigned to the Relationship Manager, although every member of the Commonwealth Partners management team shares responsibility for risk management. Based on best practices and lessons learned from previous contracts, we have included quality assurance/risk management within our PMO to implement and manage the QA and Risk Management process for the overall program.

Our approach provides the framework for analyzing and evaluating risks, and it defines a strategy for mitigating risks by reducing uncertainty, generating options, and addressing the threats directly. This

approach, combined with periodic performance measurement and the discipline of formal project reviews, will help the project achieve breakthrough performance and meet its performance measures for critical functional areas.

Our risk management approach stresses three key elements that are applied in the planning phase:

- Identifying the key elements for success;
- Identifying the risks that threaten these elements of success; and
- Establishing specific actions to minimize and mitigate risk and integrating these actions directly into the project management plan.

Our approach embraces the concept of continuous risk management as defined by the Software Engineering Institute (SEI). Continuous risk management requires that risks be identified throughout the project, not as a one-time only activity during the planning of the project. Risks must be analyzed on an on-going basis to deal with changing conditions and priorities on the project. As new risks are identified, strategies and plans to deal with them must be developed and executed. Risk management needs to be integrated across all the project teams. The management team will be assessing risks for each of the project phases, while using accepted best practices to develop mitigation strategies.

Risk Management Overview

Risk management is iterative, and is conducted throughout the project life cycle. The basic phases are:

- Identification
- Mitigation
- Assessment
- Documentation and Reporting

Each identified risk will be monitored through the four phases of the process. Figure 2.3.3-1 below represents the Risk Management Process we will implement with VITA.

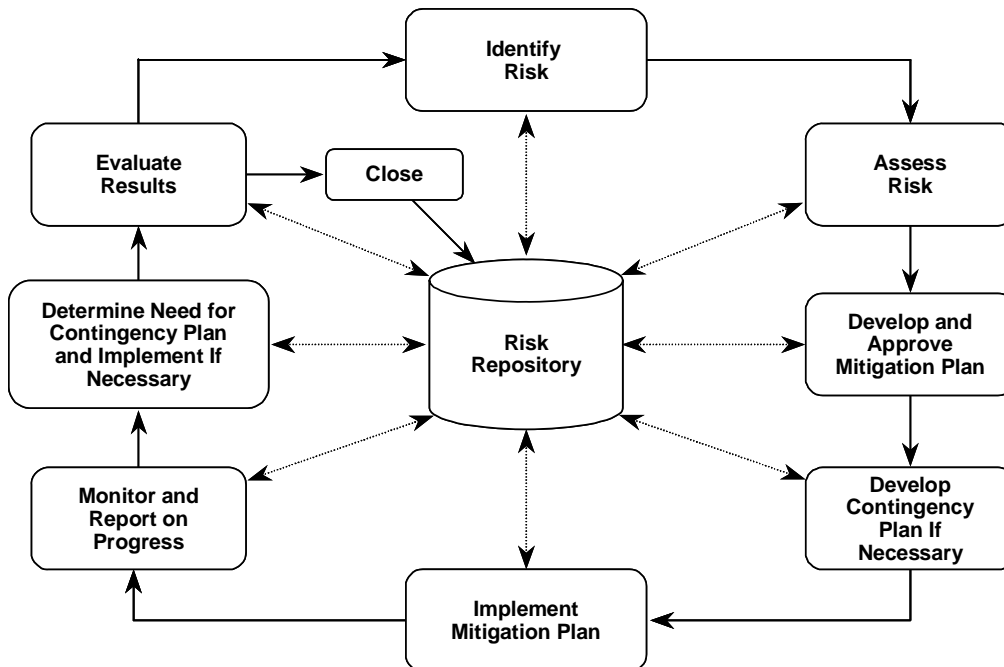


Figure 2.3.3-1 Risk Management Process

Once identified, each risk will be recorded and tracked by the Business Office Manager and a Risk owner will be assigned. The Risk Owner will perform and document a qualitative assessment of the risk. The Business Office Manager, along with the Project Management Team, will review all risks on a regular basis, review the viability of existing mitigation strategies, approve new or revised risk mitigation plans and prioritize the risks based on the overall impact it would bring to the project. Risk Mitigation Reports will be included in the Status Reports provided to VITA according to our mutually agreed upon communications plan.

In the sections following, a description of what takes place in each of the individual phases is provided. As part of the Project Management Program (PMP) initiation, the Risk Management Plan will be developed and documented for all team members. This plan will present the details to supplement the overall processes described here. Activities to take place during development of the Risk Mitigation Plan include the following:

- Document the detailed Risk Management Plan (including identification of key elements for success)
- Determine frequency, contents and distribution lists for Risk Reports and risk meetings
- Review risks already identified and determine if additional risks have surfaced during start-up

Phases of Risk Management

Risk Identification

Risk identification is the process by which the perception of a potential problem is translated into recorded information containing sufficient detail to enable effective assessment of the risk to support subsequent management decisions. Table 2.3.3-1 presents possible sources of risk identification.

Table 2.3.3-1 Sources of Risk Identification – Risk discovery and identification takes place from many perspectives.

Source Type	Source Input	Feedback Mechanism
Top Down	VITA Meetings with Constituents	Feedback from meetings of VITA personnel with their end users
	Joint Project Reviews	Feedback from senior managers at project reviews
	Dependency Management	Results of monitoring dependencies
Middle Management	Individual Team Leaders	Discussions with Team Leaders
	Issue Management	Escalation of issues that become risks because they cannot be resolved
	Steering Committee Meetings	Discussion of current threats to success
Bottom Up	Weekly Team Status Reports	Content of Team Leader reports focusing on tasks completed, tasks late, and issues/risks facing each team
Outside In	Technical Architecture Review	Feedback from technical SMEs who review the technical architecture
	Deliverable reviews on selected work products	Feedback from end users or others not involved in the day-to-day project work

Source Type	Source Input	Feedback Mechanism
	Quality Assurance Reviews	Assessments that indicate quality expectations are not being met

As indicated, risks can be discovered at every level of the organization. All team members should be alert to recognize risks in the course of their daily work, and should bring potential risks to the attention of their team leaders or managers as they discover them. Risks may also gain exposure at reviews with managers or executives, at meetings held with co-workers, or during interactions with end users.

People outside of the project may also have unique, broader perspectives, which will indicate risks that may not be as obvious to people with a single project focus. One way to encourage outside input is to invite Subject Matter Experts from outside the project itself to participate in reviews and walk-throughs. Another way is to involve end-users in such exercises.

Risk Assessment

The Commonwealth Partners will analyze and prioritize risks based on a qualitative assessment. Qualitative risk assessment is performed on all accepted risks to estimate the probability of a risk occurring and then the potential impact of the risk on the project. The steps for qualitative assessment are to assess probability and impact, and present the results.

Assess Probability - The management team estimates the probability of the risk occurring and assigns a rating of high medium or low.

At the point in the risk management process at which this estimation occurs, it will be a high level estimate, and it should be understood that more detailed analysis would need to occur before these estimates would be validated. However, it is worthwhile to perform the estimate to provide a context in which to prioritize risks.

Present Results - The Business Office Manager uses this assessment to determine which risks will be monitored at the management team level. It is likely that the management team will actively monitor only the top 5-10 high-level risks, while the Business office Manager will continue to oversee management of all risks via risk reports.

- Risk Impact/Probability Grid – Risks are assessed both on their impact to the project as well as their probability of occurrence. (The numbers in the boxes are the Individual Risk Numbers for each probability/impact combination.)

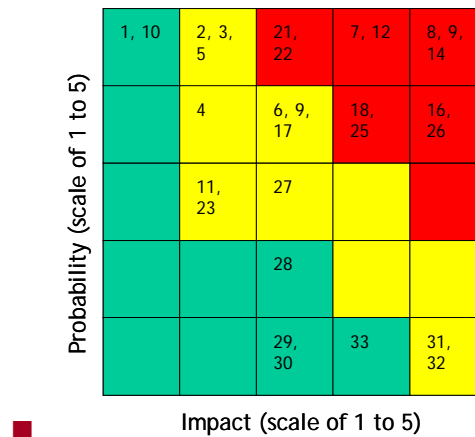


Figure 2.3.3-2 - Risk Impact Probability Grid

As part of the discussions at our regularly scheduled meetings, the Management Team may determine that it is appropriate to escalate a risk to Executive Management and the Executive Steering Committee. Reasons for doing so may include:

- Control of the risk is external to the project team and thus more appropriately managed at the Executive Management level.; and/or
- The impact is significant enough that Executive Management needs to be aware of and monitor this risk at their Steering Committee Meetings.

Risk Mitigation

The purpose of risk mitigation is to identify, define, plan and staff activities that can reduce the probability of a risk occurrence or the impact of a risk, should it occur. Countermeasures will either change aspects of risk factors leading to risk and/or attack the consequence of the risk itself. The Risk Owners will develop the mitigation strategies, document them, and determine when these plans need to be initiated.

The management team will review and approve/modify/reject the mitigation strategies for those risks they are actively monitoring. The Business Office Manager will review and monitor all other mitigation strategies, bringing them to the attention of the management team if he/she has any concerns about their viability.

Often, it is not possible for a Mitigation Plan to make a risk disappear (i.e., have 0% probability.) Rather, risk mitigation strategies often address reducing the negative impact of the occurrence of a risk. Strategies usually address one of the following:

- Risk Reduction – reduction of the effect of the risk to an acceptable level
- Risk Monitoring – mitigation could have a more negative effect than the risk itself, so a strategy might be to continue monitoring the risk and not mitigating it unless something changes

- Risk Protection – adoption of parallel measures that would reduce the impact if the risk occurred; an example would be having a second source of hardware if there is risk of the original source not delivering
- Risk Transference – transferring the impact of the risk to another area where the consequences are more tolerable

Depending on the nature and severity of a particular risk, the management team may decide that it is necessary to create a contingency plan for that risk. The purpose of contingency planning is to define the actions to be taken if a risk consequence occurs or the impact of a risk is greater than expected. A risk contingency plan contains the following information:

- Contingency plan objective;
- Measures and values that cause the contingency plan to be put into effect;
- Early warning signals that the contingency plan is needed (if any);
- Approval necessary;
- Owner;
- Specific actions to be taken; and
- Any impacts to cost or schedule.

Not every risk on the project will require a contingency plan, but it is important to have the details of the contingency plan mapped out in advance of a risk occurrence in the event that the risk mitigation strategy fails to meet expectations.

Risk & Problem Management – Summary

Vigilant risk and problem management is essential throughout a project's life cycle, from project initiation and transition, throughout implementation and on-going operations. In a project, risks will originate at various times from various sources. Our proactive approach to risk management provides iterative processes concerned not only with the identification and analysis of risk, but also responds to project risks through the development of mitigation strategies. By actively managing and monitoring the results of mitigation activities, and by developing and implementing contingency plans as necessary, the risk management program enhances the likelihood of achievement of project success targets.

For any project's risk management plan to be successful, it is essential that all staff understand how they report risks, the difference between issues and risks, and how their actions and insights can help increase the success of the project. The recognition of the importance of each team member's role is vital. It will be an integral part of the team's project culture from the beginning, and will be reinforced throughout the project life cycle. By having all team members cognizant of the importance of risk identification and mitigation, having a comprehensive Risk Management Plan in place throughout the project, and actively managing and mitigating risks, we will achieve breakthrough performance and meet the performance measures for critical functional areas.

2.3.4 Quality Management

Instructions to Vendors: Describe the Vendor's quality assurance and testing practices as well as how the Vendor incorporates each customer's unique requirements. Vendor should discuss how it will achieve continuous process improvement, including the performance of root cause analysis. The proposal shall describe the Vendor's internal quality management program. This should include reference to the use of any specific methodologies, as well as the receipt of any quality certification.

Quality Management Approach

Our Quality Management practices reduce project risks and will enable the project team to produce a high-quality solution. Implementation of and compliance with the quality management approach is the shared responsibility of all project personnel. We will provide VITA with regular reports describing the quality of project-related activities. Quality Management will flow throughout the Program Management (PM) System, which we will develop in conjunction with VITA.

It takes a good organization to offer a good solution, but it takes a quality organization to effectively deliver on their promises time and time again. Quality Management and continuous improvement are they keys to ongoing customer satisfaction. Customer satisfaction is the one corporate goal that can have the greatest impact on long-term viability in the marketplace.

Although we will be utilizing IBM's Worldwide Project Management Methodology (WWPMM) to implement, transition, and manage the solution, there is even more depth to the story. IBM maintains rigorous QA practices throughout our own organization, ultimately as a method of maintaining the high levels of service to our customers, and manages to those standards when engaging subcontractors and suppliers. An ongoing commitment to quality is a hallmark of a successful organization, and is one of the reasons we have developed and maintained market presence, financial strength, and corporate longevity. It is the way we do business.

IBM believes that it is easier and less costly to do the work right the first time than it is to do it the second time. This philosophy mandates that the right processes be in place to support a quality deliverable. The way we execute our quality standard with confidence is with Quality Planning, Quality Assurance and Quality Control, the basic principles upon which we base the delivery of services. Our customer-proven methodology confirms that we have the right solution for the Commonwealth's environment. This means, we continually monitor our quality systems to evaluate improvements, acceptance criteria, rework decisions, checklists, process adjustments, and improvements regarding costs or benefits to the Commonwealth.

Our Quality Management Process follows three quality principles:

Quality Planning

Quality Planning is our process for identifying which quality standards are relevant to the Commonwealth's project and determining how to satisfy them. Inputs to our Quality Planning include; quality policy, scope statement, product design documentation, product description, standards and regulations, targeted common processes or workflow to be addressed by the application, and other process outputs. The methods we use during quality planning include, benefit/cost analysis, benchmarking, flowcharting, and design of solution. Our outputs include, quality management plan, operational definitions, checklists, critical deployment task lists, product hardware/software specifications, client/server considerations (where applicable), product announcements and inputs to other processes.

We manage complex projects by understanding and adapting our processes to meet our customer's needs and environment, primarily at the method and business process level. The first step of any project is the development of the project management plan. The Project Management Plan (PMP) is the project

playbook, containing the overall governance of the project. It will include all program management processes, such as communication processes, risk mitigation processes and change management processes, along with the management tools, project schedules, deliverables and the like. A key aspect of the PMP will be the quality assurance and quality control processes. The project management plan is a living document that is reviewed and updated regularly throughout the partnering relationship as we go through our continuous improvement process cycles and review lessons learned from not only our existing partnering relationships but the many other partnering relationships we have with other customers.

Quality Assurance

Quality Assurance is our process for evaluating overall project performance on a regular basis to provide confidence that the Commonwealth's project will satisfy the relevant quality standards. We address quality from the perspectives of both the management of the project and the results that are to be achieved. Inputs to our Quality Assurance include quality management plan, results of quality control measurements, and operational definitions. Methods used include, quality planning tools and techniques, project status information and quality audits. Outputs include ongoing quality improvement.

Proposal Development: During proposal development we conduct business reviews in order to verify that the estimates and schedules are complete and reasonable, the cost case is complete, and the solution will satisfy the customer business objectives. In addition, we conduct final proposal reviews to verify that what is proposed will fulfill customer requirements with a technically sound solution; final estimates and schedules are complete and reasonable, and the technical and business risks are identified, assessed, and contained. This process allows IBM to provide the Commonwealth with a proposed solution from IBM which has passed our rigorous quality standards and presents a viable, sound offering.

Contract Start Up: For large complex projects like VTT Program, we perform contract readiness reviews that focus on the transition – validating that we are ready to begin the project at contract start. We perform initial project plan reviews in order to verify that proper communication, organization, planning, tracking, change control, and quality management plans have been established and approved by the performance team and the customer. In this way, we have mutual understanding of contractual, scope, and performance baselines.

During Transition the Commonwealth Partners will work with VITA to share information with each other on our respective quality programs. Together, our teams will develop a set of quality processes and procedures that envelops the best processes of both programs, and meets the requirements set forth by our respective organizations for quality management.

Ongoing Project Management : Another component of our QA approach is project management reviews seen in Figure 2.3.4-1, Project Management Reviews. Our independent team of QA professionals conduct regularly scheduled quality reviews throughout the life of the project, in order to facilitate the engagement team in meeting its goals with respect to budget, schedule, deliverables, customer satisfaction, and project management.

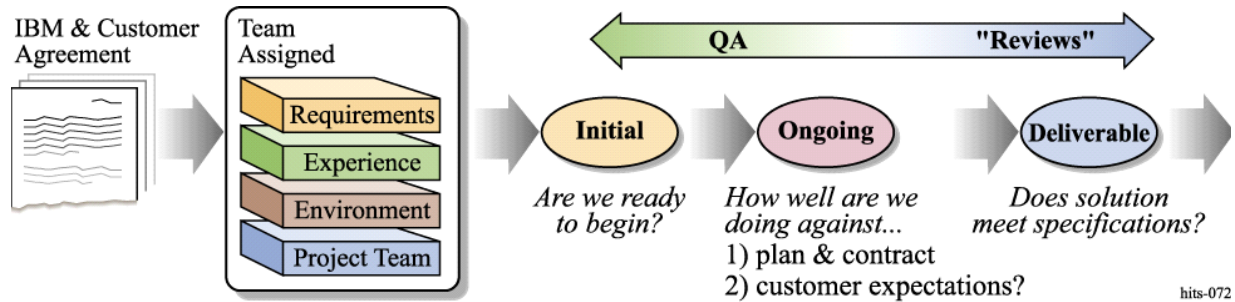


Figure 2.3.4-1 Project Management Reviews. Project management reviews validate that our solution meets customer requirements and our own high standards.

Reviews are done at the beginning of the project, and yearly, at the time of delivery to the customer, and at the end of the project if it does not correspond to a delivery. Action plans are put in place to address any issues.

- The *Initial Project & Plans Review* is lead by a QA representative and examines the various procedures and tools that a project manager has put in place for project and work plan management. QA will review such things as the Project Management Plan, schedules, WBS, budgets, risk management plan, communication plan, quality assurance plan and resource management plan.
- The annual *Project Management Reviews* are much like the Initial Project & Plans Review except that the QA representative may also seek input from the customer in a few short interviews and will provide a project classification to the Project Manager after the Review is complete. The review schedule frequency will reflect that classification.
- The *Deliverable Readiness Review* is a technical review conducted to verify that the deliverables meet the requirements and has been produced using the processes and procedures defined by the applicable management plans.

These reviews provide an independent, ongoing assessment of the status of the project which gives us the ability to verify that the project is being managed in accordance with the contractual commitment and is satisfying customer requirements.

Quality Control/ Testing

Quality Control is our process of monitoring specific project deliverables, milestones and project results to determine if they comply with relevant quality standards required by the Commonwealth and identifying ways to eliminate causes of unsatisfactory performance. Inputs to our Quality Control include, work results, quality management plan, operational definitions, checklists and critical deployment task lists. Methods used during quality control include, inspection of project management development and deployment project plans, control charts, diagrams, flowcharting, and trend analysis. As noted in our Quality Assurance plans, Quality Control is an ongoing process which is applied and monitored with each customer deliverable to provide the Commonwealth with quality services throughout the contract.

The Most Important Measurement

At the end of the day, our most important measurement of the quality of our service will be your satisfaction with the job we're doing.

We will use Customer Satisfaction Surveys to gather and analyze data regarding the level of customer satisfaction. We will aggressively quantify, measure, and manage opportunities to improve customer satisfaction. Our approach will enable the Commonwealth Partners to:

- Pinpoint customer satisfaction issues and expectations
- Develop questions to measure whether the team is meeting these expectations and work satisfying VITA's requirements
- Use customer survey data to monitor service delivery and manage mitigation programs

As noted earlier, IBM is dedicated to our overall quality process and attainment of customer satisfaction, therefore the compensation of our Commonwealth Relationship Manager is tied to your satisfaction of our services provided to the Commonwealth.

Continuous Process Improvement

IBM Quality Management includes a continuous Process Improvement Cycle. Throughout the life of the program, the Commonwealth Partners and VITA will meet regularly (no less than once a year) to hold a Process Improvement Meeting. The Process Improvement Meeting will review existing program processes to determine the effectiveness of the existing processes, determine if the process is still required and if additional process should be included. After the meeting the modifications to the process documentation is drafted and reviewed by both the VITA and Commonwealth Partner Relationship Managers. The new or revised process becomes valid once both the VITA and Commonwealth Partner Relationship Managers approve the change. This is a critical task in large programs to ensure that lessons learned and process improvements are continually updated for thoroughness and efficiencies.

There will be times when the root cause analysis of an issue points to a specific process problem. The process will be analyzed and updated to reflect a correct to the root cause problem outside of the Process Improvement Cycle. Again, the new or revised process becomes valid once both the VITA and Commonwealth Partner Relationship Managers approve the change.

This team is committed to maintaining the highest level of service for our customers. The organizational, process, and project-management aspects of our Quality commitment mean that the team will be providing and improving excellent service, processes, and project management for the project. An overview of our quality certifications can be found in Section 2.2.4.3

2.3.5 Personnel management

Instructions to Vendors: Describe internal standards, policies and procedures regarding hiring, professional development and human resource management. Describe how the Vendor's compensation structure is tied to customer satisfaction. Vendor should provide a biography of the project director with overall responsibility for the success of the outsourcing contract. The Vendor project director will be assigned to the Commonwealth account for a minimum of two years from contract commencement and physical work location will be in Insert Location.

The Commonwealth Partners realize the most valuable part of any organization is its people. This is why we invest significantly in the attraction and development of our most valuable resources – our people. Our hiring policies and procedures provide equal opportunity for all applicants. More information surrounding IBM's and BearingPoint's employment opportunities and procedures can be found at our respective company's career websites:

- <http://www-306.ibm.com/employment/us/index.shtml>
- <https://bearingpoint.recruitmax.com/eng/candidates/default.cfm>

We encourage you to visit and begin your discovery of IBM and BearingPoint career options. You'll find information about benefits, application and resume submission, interviewing tips, recruiting events, our history of diversity hiring and more.

IBM

An early start at career success begins with *Your IBM*, our new-hire training program. You'll learn how IBM works, how to maximize your contribution to the company, how to successfully navigate within IBM and connect with your colleagues—and have fun in the process!

To help you identify opportunities, construct a skills road map and mark your progress, IBM offers easy-to-navigate career Web sites and tools.

- **Individual development plan** - Your career path will be as individual as you are. You might choose to move vertically, you might prefer to deepen your knowledge in your field of expertise or you might decide to make lateral moves to broaden your range of skills. Whichever path you choose, you will create an individual development plan each year to help you to continue to grow.
- **Management training** - Is management your goal? IBM has an award-winning management development program that can enable you to develop effective leadership skills to help you move ahead as you lead in a high-performance culture.

We invest heavily in our employees' development to maximize the success of our company, and the success of our people. As an IBM employee, you have access to worldwide resources to help you define your career and achieve professional growth. These resources include:

- **Job role and technical training** - In addition to top-notch professional skills, IBM focuses on in-depth industry and technical training to keep you up to date on emerging technologies and skills valued in the marketplace.
- **Academic learning assistance program** - IBM provides assistance for external education in addition to our internal training offerings to help you keep your skills aligned with our business goals.
- **Global Campus** - Whether you're looking for online or classroom courses offered by IBM's professional communities, you'll find them on the IBM Global Campus Web site. Universal access to thousands of internal e-learning modules is included, so you can take the courses you need at your convenience. Through Global Campus, you can also reference leading business and technical publications.

Individuals who join the Commonwealth Partners' organization have invested plenty in the education and skills they bring with them. The Commonwealth Partners are committed to continuing the enhancements of these skills and experiences so as to provide solutions to our clients that enable them to achieve their business objectives. To enhance our leadership role in the services industry, the Commonwealth Partners use a skills-based professional development process which ties employee skills development and career growth to client requirements and strategic business needs. Figure 2.3.5-1 following, IBM Skills Management Process, provides an overview of this process.

Skills Management Process

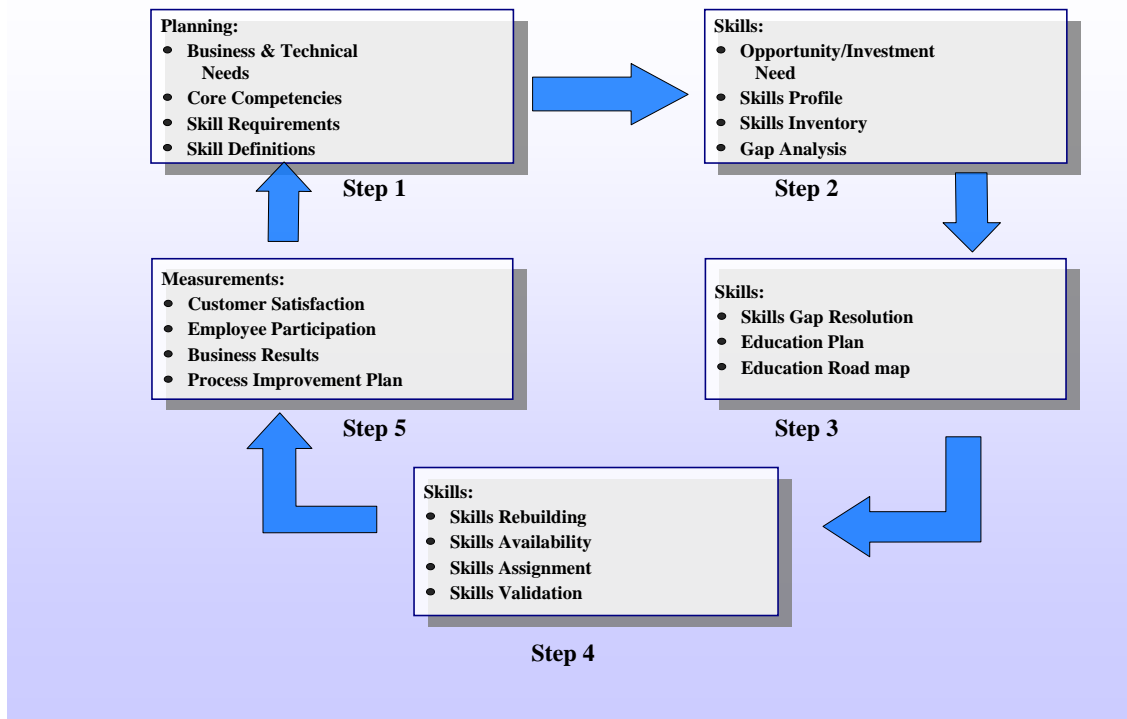


Figure 2.3.5 – 1. IBM Skills Management Process

Professional development is built around core competencies that bring real value to our clients. This skills framework allows employees to enhance their technical and industry-oriented skills through a balance of education, training, knowledge, and experience. To keep employees' skills current, the Commonwealth Partners use a skills management process consisting of:

- **Planning:** Overall assessment of business and technical needs and identification of core competencies, definition of skills and skill requirements.
- **Assessment:** Evaluation of the opportunities and investment needs to provide input on the skills profile, inventory, and gap analysis.
- **Goal Setting:** Resolution of any skills gap, development of an employee's education plan, and implementation of an employee's education roadmap.

IBM employees' deployment plans focus on the implementation of skills rebuilding, validation of skills, and assignment to key projects that utilize these skills.

BearingPoint

BearingPoint, like IBM, places significant emphasis on employee orientation and career development. We believe that the career development is an evolutionary process that begins on the first day of employment when you log onto the Getting Started For Success site on the BearingPoint employee portal. This site is designed to not only orient you to BearingPoint, but also help you begin your career development plan.

BearingPoint understand that the key to us delivering value to our clients is reflected in the value that we put in our employees – our greatest resource. That is why we have incorporated a number of support

tools into our employee hiring, professional development and resource management policies. To assist you in this process, our human resources portal will guide you through the following tools.

- **Career Development Plan**– This actually starts with a self-assessment tool which site enables you to highlight your strengths so as to provide you access to the many career opportunities available throughout BearingPoint. It also helps you identify areas that you may wish to strengthen to assist you in your professional development
- **Mentoring/Peer Advisement** – Not only is this helpful to new employees by providing them with a resource, other than their manager to help guide them in their career development. It is also an excellent means for those wishing to begin developing and testing their management skills.
- **Resource Management** – Our web-based resource management tool provides you with visibility to ALL BearingPoint employment opportunities – opportunities that you would otherwise be unaware. By highlighting your skills for all to see, not only will you have access to all these opportunities, but our clients will have access to your unique skills.

Understanding that BearingPoint employees are truly our greatest resource, BearingPoint invest heavily on providing continuing education and development opportunities to all of our employees. The primary delivery mechanism for training and development programs is via our Virtual Classroom, better known as the Learning Management System (LMS) portal. The LMS portal provides BearingPoint access to a large volume of technical, professional, managerial and vendor training programs. Each module is design so as to not only provide training, but also assess that the information has been successfully learned. The purpose is not to highlight what you didn't learn, but to reinforce that you have effectively grasped the information presented. It is an excellent means to help you continue to improve your skills and further your career development.

Recruiting

BearingPoint recognizes that in order to maintain the highest standards and skill sets available to our clients, that we must have a robust hiring program in place to accomplish that goal. Our recruiting program consists of two key areas:


- **Employee referral program** - We understand that our current employees are our best advertisement for identifying and recruiting new employees. The employee referral program pays bonuses to existing employees for the recommendation and successful hiring of new employees. The level of compensation is based on skill level, position and job title.
- **Campus Recruiting** – The level of talent, skill and fresh ideas coming out higher education continues to improve. At BearingPoint, we have a very aggressive program to identify these individuals and introduce them to the values and advantages of beginning a career with BearingPoint.

Both IBM and BearingPoint's human resources management and policies are built around respect for all individuals. More information surrounding our human resources policies are described in section 7.2 Affected Employees Required Response (Schedule 8.1). We believe such policies are what makes working at our respective organizations one which is both challenging and rewarding.

Project Director/Commonwealth Relationship Manager

Our Program Director/Relationship Manager, Denise Slusser is well versed in the methods of dealing with people in the operations of an on-going enterprise. Additionally, she is sensitive to the unique needs of the program environment and how to apply this general knowledge in a specific way.

We understand the importance of continuity of key personnel on a program of this size and magnitude. Ms. Slusser, our Commonwealth Relationship Manager will be assigned to the Commonwealth account for a minimum of two years from contract commencement and her physical work location will be in the Richmond Metropolitan Area. Following is Ms. Slusser's biography.

Denise Slusser – Program Executive	
Account Team role: Relationship Manager	
	<p><i>Denise was selected to serve as Relationship Manager because of her recent experience managing multi-million dollar application development and outsourcing contracts for federal and state and local government agencies, resolving critical situations for customers whose information technology applications and systems are large and complex, and leading the quest for customer satisfaction by initiating new services.</i></p>
<p>Major responsibilities:</p> <ul style="list-style-type: none"> • Provide overall direction and oversight to the program • Act as the primary liaison between the Commonwealth Partners and VITA • Develop and implement a future vision for the partnership • Work with VITA to resolve contract-related issues throughout the life of the program • Monitor program level status • Approve or disapprove modifications to the overall schedule, scope, or deliverables prior to submitting them to VITA for sign-off • Maintain open lines of communications with project managers through regular meetings and communications • Hold final decision-making authority for this program 	
Years of Experience in Position: 12	
<p>Resume:</p> <p>Denise is a certified Project Manager with over 12 years of experience working with government agencies. She has skills in all phases of the systems development life cycle and information systems management, development and customer service. Denise has a proven track record of accomplishments managing both Outsourcing and Systems Integration services. She possesses management, communication, analytical, technical, and quality management skills gained from business and technical experience in project management environments. During the past eight years, Denise's career focus has been in project management and technical solution design in Health and Human Services Information Technology. Recent experience includes managing multi-million dollar application development and outsourcing contracts for federal and state and local government agencies, managing and motivating professional staffs, resolving critical situations for customers whose information technology applications and systems are large and complex and leading the quest for customer satisfaction by initiating new services.</p>	
<p>Table 1. Pertinent Professional Experience:</p>	
<p>Senior Program Executive/ Program Executive</p> <p>Denise was instrumental in the development of the winning, "first-of-its-kind" solution that resulted in the award of an IBM prime contract with the Commonwealth of Pennsylvania. This Facilities Management contract provides operational support on customer location for the Production, Development, Training and QA/Test environments for the Commonwealth's mySAP.com implementation across 53 agencies. The solution consists of over 85 servers in an AIX/NT environment that supports critical Commonwealth procurement, human resources, payroll and</p>	

Denise Slusser – Program Executive

budgeting business processes. The multiple Tower team has achieved exceptional performance against challenging Service Level Agreements and business recovery objectives for the life of the contract.

Also for the **Commonwealth of Pennsylvania**, Denise managed a complex, multi-platform data center outsourcing contract consolidating multiple state agencies into a single data center. The scope included providing operational services for five mainframe platforms and three midrange platforms, technical services, network services, and help desk services for eleven unique agencies including the Departments of Revenue, Transportation, Labor and Industry, and Corrections. Denise manages a team of 85 IBM professionals and subcontractors in the delivery of these services. In addition, she had full responsibility for financial management, quality assurance, and contract administration and compliance. Her efforts achieve a high level of customer satisfaction and meet stringent service levels that varied for each customer.

Denise served as Project Executive for a data center consolidation project for the Office of the Chief Technology Officer in the **District of Columbia** with responsibility for planning, management, complex migration, and ongoing operations of applications from three data centers to an IBM managed operations facility in Lexington, KY. She executed a very aggressive schedule to migrate over 100 applications to a Year 2000 Ready infrastructure, while integrating business applications on a common platform with structured processes and tools. These highly critical applications included Unemployment Insurance processing, the University of DC student records and financials, processing of welfare checks, as well as AFDC and Food Stamps. This transition was accomplished with no loss of data and no interruptions or delays in the processing of benefits.

Denise's leadership ensured the on-time, on-budget design, development, and implementation of three major releases of the **North Dakota Welfare Reform Contract (RESPOND)**. In her capacity as Deputy Project Manager for Application Development she managed business analysts, information engineers and other technical staff through the analysis, design and installation of a two-tiered client server application. Her expertise in project management and information engineering was instrumental in the complex, rapid application development approach selected to expedite delivery. Results included consecutive 100% customer satisfaction ratings.

Delivery Executive

Government Industry Project Executive responsible for a variety of Strategic Outsourcing and Systems Integration programs in the Southeastern United States. In this role, Denise was responsible for ensuring her customer's satisfaction – customers who are primarily CIO's, IT Directors, and Department Heads. Her staff of Program Managers had responsibility for a variety of programs including tax form processing for the **State of North Carolina, Managed Operations for the State of Maryland, eGovernment for MiamiDade County and a Health Licensing System in the State of Florida**. She also serves as a consultant providing subject matter expertise for Social Services opportunities in the eastern United States.

Table 2. Education and Training

- University of Maryland, College Park, Maryland
- Frederick College, Maryland

Table 3. Certifications:

- Project Management Institute, Project Management Professional Certification
- IBM Certified Professional Project Manager

Table 4. Key Skill Sets:

- System life cycle development

Denise Slusser – Program Executive

- Information systems management and customer service
- Accomplished manager for Outsourcing and Systems Integration
- Project Management
- Technical Solution Design
- Federal, State and Local Government
- Motivates teams into action

Prior Account 1: Commonwealth of Pennsylvania

Reference: Beth Roose, Chief Information Officer, Pennsylvania Department of Transportation, (717) 214-6209, broose@state.pa.us

Prior Account 2: District of Columbia

Reference: Suzanne Peck, Chief Technology Officer, District of Columbia, (202) 727-2277, Suzanne.peck@dc.gov

Vendor Compensation

To ensure the full commitment of IBM's integrated delivery team in meeting VITA's objectives, employees' performance objectives will be linked directly to achievement of service goals that benefit the Commonwealth. In addition, IBM ties the team's compensation to the Commonwealth's satisfaction.

The IBM management and delivery organizations will be motivated to act in the Commonwealth's best interests. To measure their contribution in achieving service goals, IBM employees' peers and management evaluate them annually. IBM links employees' performance objectives directly to achievement of service goals that benefit the Commonwealth.

Key account team members compensation plans are based directly on attainment of customer objectives and overall customer satisfaction. Objectives are documented annually in a work session with the Commonwealth's Relationship Manager and tracked during monthly performance meetings.

The key indicator for satisfaction will be determined by Customer Executive Relationship Surveys, independent third party interviews, conducted annually with the Commonwealth's Relationship Management Team. The survey provides a critical channel for communications between the Commonwealth and IBM and provides direct input to key account personnel performance attainment and compensation. The Commonwealth's Relationship Manager will have the opportunity to provide specific input and rating on a range of service dimensions including Partnership, Responsiveness, Support, Skills, Quality of Service and Value. The Commonwealth will directly influence IBM employees' compensation through this feedback mechanism.

Staffing Approach

The Infrastructure PPEA represents a large and complex undertaking. A project of this nature must be staffed with skilled individuals whose roles and responsibilities are clearly defined, communicated, and understood. The staffing process begins with establishing the objectives of the project team. Next, we apply the prior experience of our team in delivering projects of similar size and complexity. Experience and knowledge drives the organizational structure, roles and responsibilities, allowing for the successful development and implementation of this managed services agreement.

One of the innovative approaches to our proposed project organization is our use of “blended” teams. The people on the Commonwealth Partners team bring strong credentials to this project. We will create a team that blends the experience of each of our subcontractor/vendors, providing a team with extensive experience in Data Center Managed Services, Help Desk, Distributed Computing Services and Desktop Management along with Chargeback Application Development and Maintenance. Our team will then unite with VITA staff to form an integrated project team.

The first step in determining an effective organizational structure is to establish common objectives for the integrated team. These objectives must be in concert with the overall objectives of the Infrastructure PPEA. We have chosen the following objectives on which to build our project organization:

- Promote a “one team” philosophy among the team members (The Commonwealth Partners project team, VITA staff, and Commonwealth stakeholders) through frequent and honest communication between all teams:
 - Work as one team with the same goals;
 - Hire/staff the right people, with the right skills;
 - Instill a culture focused on quality results, based on a motivated and productive work ethic, that expects and rewards this behavior;
- Deliver the required services with an experienced, skilled team that produces high quality work products and deliverables;
- Mutually accomplish these objectives on schedule and on budget;
- Promote a cooperative relationship in which conflicts are resolved through communication and negotiation; and
- Pledge commitment to a process for continuous improvements.

Acquiring & Retaining Skilled Staff

The Commonwealth Partners are offering jobs to all Affected VITA employees. The Project Workplan and Project Schedule determine the numbers and types of staff needed. Project procedures will be developed to support staffing from multiple organizations along with our subcontractor/vendors.

We have a wealth of experience in retaining high performance teams. Our firms are deeply rooted in a high performance culture that rewards staff for results delivered. There are various methods that we employ to retain highly skilled staff:

- Opportunity for new skills development, training, and education;
- Providing promotions from within the team to new roles over time;
- Mentorship programs;
- Opportunity for working on market relevant technologies; and
- Awards based programs for high performers and successful project delivery.

Subcontractor/Vendor Management

IBM is working with premier organizations to bring the best-qualified team to VITA. IBM has teamed with BearingPoint, STI Knowledge, Liberty Property Trust, and eight other local business firms who bring strong skills and qualifications to the VTT Program. This results in a number of relationships that the IBM Program Executive/Relationship Manager will be responsible for managing. The skills and experience Denise Slusser brings to this role will enable her to establish solid working relationships with all entities, resulting in a quality solution that meets the goals set for VITA. In order to promote team integration and function as a fully blended team, all of the staff working on the VTT Program will follow

the same management processes and use the same set of tools. This section describes our proven approach for managing the relationships within our subcontractors, which has been refined through many large-scale projects.

Assigning Work Products

Each of the functional area managers and team leads will be responsible for maintaining a detailed project schedule for their area. These detailed project schedules, which together comprise the Integrated Project Schedule, show how the work of a project organizational unit is broken down into work items, each of which is assigned to a named individual resource or a small team of resources. Each work item can have associated details such as start/end dates, task-level dependencies, estimates to complete, and other variables as identified by the management team. As a part of these schedules, cross-project dependencies will be identified as milestones and linked to the appropriate activities.

While the purpose of the Integrated Project Schedule is to provide a high level view of the project phases, the purpose of the detailed project schedules is to:

- Provide each team area manager with a mechanism to plan for the detailed tasks required for each activity on the Work Breakdown Structure;
- Provide each member of the project team with a list of work items they have to achieve within a specific period of time, along with the planned start/end dates for that work item; and
- Enable the team leaders to track the progress of each team member on the set of work items that has been assigned to them.

Weekly status reports based on the detailed project schedule, will promote timely and accurate reporting to the Program Office. These individual status reports roll up to various levels within the organizational units, which in turn feed the overall Monthly Status Report.

Managing Subcontractor Teams

Our subcontractors each bring to this effort an extensive amount of knowledge and experience in their core competency. The use of experienced subcontractors acts as a vehicle to further deliver proven practices, strategies and approaches. Subcontracting firms bring value as they often have highly specialized skills or niche-technologies that enhance the overall solution.

In any contract that requires the services of a subcontractor, the process for managing the contract with the subcontractor is critical to the delivery of quality products and services to the client. Organization, planning and control are essential to confirming that the subcontractor understands the work to be accomplished and the timeframe allocated.

These activities involve the management of third party subcontractor/vendors to validate that they are on plan and providing the committed deliverables in a quality manner. It also involves the management of suppliers to confirm that commitments are being met. Finally, this activity includes the management of subcontractors to verify that adequate project plans are in place to enable the delivery of their commitments within the overall project plan.

The management of subcontracted personnel begins with a clearly written, detailed account of the work that is to be performed by the subcontracting firm. Not only is the work and its completion criteria clearly documented, but the method by which the work will be accomplished is also laid out. Additionally, quality standards, payment terms and any special terms and conditions unique to the particular engagement will also be detailed.

As the prime contractor, IBM assigns, monitors, and controls our subcontractors using techniques developed and refined throughout our history of managing many large, complex projects. Key elements of this process are:

- Ultimate responsibility for subcontract management rests with the Program Executive, who acts as the single point of contract control with the subcontracted firm
- The Program Executive provides a single point of management accountability for the subcontractor's cost, schedule and technical performance

We measure the success of our subcontractor relationships by answering the following questions:

- Were we able to work with our subcontractors in an environment that did not focus on what staff members were employed by what organizations? But rather, did we achieve a "One Goal, One Team" culture on the project while working with this firm?
- Was the subcontracted work completed on time and with the specified quality, and did the customer accept it?

Our management practices, our philosophy and our reputation for delivering to our customers, make us a much sought after managed services provider by large and small organizations alike. In fact, IBM and BearingPoint have had many successful engagements where we've entered into contractor/sub-contractor arrangements. We also maintain a profile of the subcontracted firms we have worked with on other engagements, and we continually add new and proven partnering relationships to that list. We also remove from our resource database those firms who are unable to share our commitment to excellent customer service.

Conclusion

The benefits derived from careful planning and execution of the human resource management activities of a project include timely ramp-up as resources are assigned to project work, improved efficiency as individuals begin to perform as a cohesive team, and reduced costs associated with lower turn-over, higher productivity and fewer errors than would otherwise arise when individuals are dissatisfied in the project's work environment.

2.3.6 Performance management

Instructions to Vendors: Describe how Vendor plans, develops, modifies, monitors and reports on system and network performance. Vendor should demonstrate knowledge and experience of capacity and performance tools for managing all Commonwealth IT environments that are defined within this Detailed Package regarding both systems and network management.

Performance Management is the process of planning, defining, measuring, analyzing, reporting, and tuning the performance of resources including hardware, operating systems, subsystems, and services. Performance Management ensures that the performance service levels are achieved or surpassed for the systems within the scope of this process, by:

- Monitoring, analyzing, and reporting trends in system resource utilization and making tuning recommendations to avoid missing Service Level Requirements (SLR) objectives and to employ the resources to their full potential;
- Providing input to Capacity Management about resources required to meet service levels for the present and future; and
- Performance Management is an ongoing process of measurement, analysis, and tuning to achieve the identified performance service levels. Achieving service level objectives is the primary measurement of Performance Management's effectiveness.

The Commonwealth Partners and VITA will identify and mutually agree on the performance levels for ongoing support of your operations. Together we will reach agreement on the methods of measuring, controlling, reporting, and managing the systems to achieve agreed-upon levels of service. These agreements will be documented in the Service Level Requirements (SLRs) between the Commonwealth Partners and VITA.

Service Level Requirements

The Service Level Requirements or SLR document our mutual objectives and guide our strategies to measure, control, report, and manage the Commonwealth systems. As technology and operational efficiencies permit, the Commonwealth Partners will implement mutually agreed-to enhancements to those Services Levels. Annual reviews are conducted and Service Levels are discussed as appropriate to update our agreements and associated documentation.

An effective Service Level Requirement agreement will reflect the Commonwealth's requirements that include system availability, response time, and call center performance. It also reflects the requirements for information on problems and requests for changes to the system. The agreement helps each organization set expectations and understand measurements.

Service Level Attainment Reporting

Effective Service Level management requires several types and levels of management reports. We address these reports in the Monthly Measurements Review meetings.

- **Service Level Performance Report** – shows Service Level Requirements and objectives compared with actual performance for the current reporting period.
- **Performance Trends Report** – presents a high-level view of all systems and applications for an extended period of time. Actual performance trends are mapped against the service level requirements and objectives to produce summaries that enable a quick and easy understanding of adverse trends or validate new implementations designed to improve previous trends.

Each report helps our Relationship Manager evaluate the overall effectiveness of our service delivery. We produce the report package monthly or when performance trends require executive management involvement.

Monitoring Strategy and Tools

The Commonwealth Partners have selected a number of tools to monitor network and system capacity and performance. Our monitoring strategy is to present the appropriate personnel groups with an integrated console to the extent possible. This provides personnel in the Operations Center, NOC, and ESOC with a focused view of what is occurring instead of having to monitor a large number of tool-specific outputs. Tivoli Enterprise Console (TEC) will be used to provide the collection point for events generated from the different tools. For performance and capacity reports, the ESMRT tool is used.

Our network team has selected a diverse set of SNMP-based tools to support monitoring in the NOC. Our network team has even extended this concept to receive monitoring data from our telecommunications provider, Verizon. The data received from Verizon will be provided to TEC for an overall integrated view of network events.

Tools from Quest will be used for monitoring messaging performance. The Quest Spotlight for Active Directory and Spotlight for Exchange) will be used for monitoring performance and to identify bottlenecks.

The IBM Tivoli Monitoring software will be used to monitor servers. In addition, server databases will be monitored using Tivoli Monitoring for Databases. This tool supports monitoring of Oracle, DB2 and SQL Server. The Server Resource Manager tool is also used for capacity monitoring. For the mainframes, the Omegamon tools and job logs are used for monitoring performance.

The capacity and performance tools we have selected are listed in the following table:

Tower	Performance Tools
Network	Tivoli Netview VitalNet MicroMuse CiscoWorks
Server / Mainframe	Tivoli Monitoring Tivoli Monitoring for Databases SRM Omegamon
Messaging	Quest Spotlight for Active Directory Quest Spotlight for Exchange
Other Tools	Tivoli Enterprise Console ESMRT (reporting)

Table 2.3.6-1 Capacity and Performance Tools

2.3.7 Security Management

Instructions to Vendors: Describe how Vendor maintains physical and logical security of the IT services it provides. This should include an overview of the policies and practices to prevent, detect and resolve security breaches. In addition, Vendor shall demonstrate experience and ability to meet all regulatory requirements (e.g., HIPAA).

The Commonwealth Partners understand the critical aspects of current security needs. Our solution has addressed the required elements of both physical and logical security to protect assets of the Commonwealth of Virginia, including its two most valuable assets, people and information. Our solutions are also in line with the regulatory requirements of a Data Center.

The solution will assist the Commonwealth in measuring and maintaining security compliance. Processes and procedures are one of the most effective tools for internal network security. Ensuring end users use complex passwords, auditing of user accounts and monitoring failed logon attempts will allow for the Commonwealth Partner's delivery team to proactively manage and protect access within the network. End-users will not be allowed to access any information that they are not approved to access. Process and procedures will be developed to drive review and update of security standards to deliver compliance via the appropriate security controls. In addition, compliance to the agreed upon standards will be measured, tracked, and trended in order to provide visibility into the incremental improvements in security compliance.

The solution will assist in reducing the number of security incidents. The robust intrusion detection and prevention solutions address the need for detecting and preventing attacks in the Commonwealth's enterprise by providing fully redundant and fully scalable 24x7x365 monitoring of intrusion detection and prevention devices. The result will be robust process and procedures for proactive mitigation of attacks and threats that will lead to a reduction in security incidents.

The solution will improve the Commonwealth's security posture. The Commonwealth will benefit from the industry knowledge and skills of the Commonwealth Partners organization and lessons learned from over 3,000 global security practitioners.

We are proud to present a security solution with business value as well as an established track record. Our security solution balances security efficiency and security effectiveness in order to maximize the value for the Commonwealth.

The IBM Global Security Services & Delivery (GSSD) team consists of IBM Global Services (IGS) professionals who support the Global SECurity Competency Segment (SEC) in the delivery of security services. The Global SECurity Competency Segment defines, develops, implements and assures security policies, standards, processes, tools and architectures that are used in the support and delivery of services to the IBM Global Account and commercial customers as specified in their services contract.

The IBM SEC capabilities span many key areas of security management including, but not limited to, the following:

- Physical and logical security access controls: raised floor access; system/userid administration
- Infrastructure Protection & Threat Prevention: Security threats; incidents; issues; risk management
- Network security controls: Firewall rules; Layer 7 Packet Filtering; Honeypots
- Security policy compliance management via GSD331; ITCSxxx; ISOxxxx; HIPAA; GLB; 508 documents

Security Vulnerability Management: Advisory processes; virus alerts; patch management; server registration; vulnerability scanning

Physical Security

The Commonwealth of Virginia's Data Center will be staffed with security personnel 365x7x24. A security electronics system will be strategically located to provide monitoring of interior and exterior areas by closed circuit TV. The system will be motion activated digital video recorded.

The mechanical, electrical, generator, battery and core Data Center rooms will have a pair of 4'x9' high steel security doors to accommodate delivery of equipment. Bio-metric scanning access controls are included in these areas.

The Data Center will also be protected by motion detectors. Silent alarms detected by the detectors will be handled by the operations center. For reliability, the security electronics systems will be backed up by the UPS.

Logical Security

To ensure a higher level of IT security, security services will be provided from our electronic Security Operations Center (eSOC). Intrusion detection services (IDS) and intrusion prevention services (IPS) provide monitoring of the Commonwealth's network using a combination of hardware and software called an intrusion detection/prevention sensor. IBM provides intrusion detection on the network (NIDS) in order to detect internal, external, in-bound, and out-bound attacks being sent across the network. IBM provides host intrusion detection (HIDS) to detect attacks occurring on your most critical assets. If an attack pattern is detected, the sensor sends an event notification to the IBM SOC. The SOC is fully staffed 24x7x365 and is qualified to analyze the threat and contact the eSOC. The eSOC then uses its process and procedures for analyzing and responding to the event.

IBM will provide the Commonwealth with a Security Portal for accessing reports. Attacks are tracked, reported, and trended on IBM's Security Portal in a number of different manners. An 'Executive Summary' report is produced, along with tracking attacks in a number of various charts and tables.

Vulnerability Scanning services consist of testing a target system, based on the Commonwealth's Security Policy for known vulnerabilities and configuration weaknesses, and then reporting on problems

found. Vulnerability scanning is optimized to create minimal impact on well-configured systems. The scanning report will be configured (filtered) according to the security controls for the Commonwealth and will only flag problems that are in violation of the security controls. The basic report will also include a risk assessment with aging, and a reference describing the problem. The output from the vulnerability scans is reviewed by the eSOC to verify that the test ran successfully. A summary report will be created and provided to the appropriate individuals for the appropriate and corrective action to be taken.

Vulnerability Assessment services consist of scanning a target system or network device for security vulnerabilities, and attacking these vulnerabilities in an effort to gain unauthorized access. The purpose of the service is to identify specific security weaknesses on the target systems, and to recommend techniques or improvements to strengthen the security of the target system. This service is provided for all platforms.

Regulatory Requirements

IBM's security personnel will work with the Commonwealth to document, via the Base Information Security Controls and the Implementation Manual, (together known as the GSD331), the IBM and Commonwealth specific controls that need to be implemented on specific platforms/subsystems to comply with the Commonwealth's security and compliance requirements. This document and all attending processes and procedures will be reviewed by appropriate Commonwealth Partners annually for currency and compliance

IBM has experience working with regulatory requirements for various organizations including Securities Industry Automation Corporation (SIAC), Premera Blue Cross, Commonwealth of Pennsylvania, California Child Welfare and Arizona Department of Transportation.

2.3.8 Service continuity management

Instructions to Vendors: Describe the policies and procedures to provide uninterrupted IT service. The proposal shall include descriptions of disaster recovery planning and testing capabilities, recovery site management (including the use of third-party contingency site providers) and standard backup and recovery procedures.

The Commonwealth Partners will provide a comprehensive solution in which we assume the responsibility of managing the scope of business continuity. We will provide experienced and skilled professionals, proven methodologies, and program management that helps reduce the risk of interruption, improves the efficiency of your operations, and allows you to recover quickly if a disruption cannot be avoided.

Through our multi-vendor, multi-platform IT recovery services, IBM professionals can sort through the complexity of various computing hardware, peripherals, communications equipment, operating systems and infrastructure to execute a recovery solution that best suits the VITA and the Commonwealth's business needs.

Disaster Recovery Process/Mobilization Plan

When an emergency occurs, IBM has a process for marshalling skilled staff and responding on behalf of our customers. The following discussion about IBM's Disaster Management Mobilization Plan is illustrated in Figure 2.3.8-1 below. Referring to the graphic as you read the following description will give you both the context and the details. The phrases in parenthesis link to the diagram.

Any crisis management starts with Emergency response. The Emergency Response Team contacts the Crisis Management Team manager when it appears that the crisis could impact the business functions. The Crisis Management and Crisis Operational Teams meet (gather crisis teams) to identify the situation and to determine the actions to take.

The first major decision taken by the Crisis Management Team is to decide whether it is necessary to initiate the recovery solution or not. In parallel, the team also decides whether they will recover the original environment and give instruction to users to maintain user activity.

The next major decision to make is whether to run user activity at the alternate site or whether it is better to wait while the original site is rebuilt. The alternate site (IT, office facilities) must be operated (Operate alternate site) to support business functions if user activity is moved to the alternate site. In parallel, the original site (or a new one) is rebuilt (Rebuild the original site).

The last plan step is the return to the original or new site.

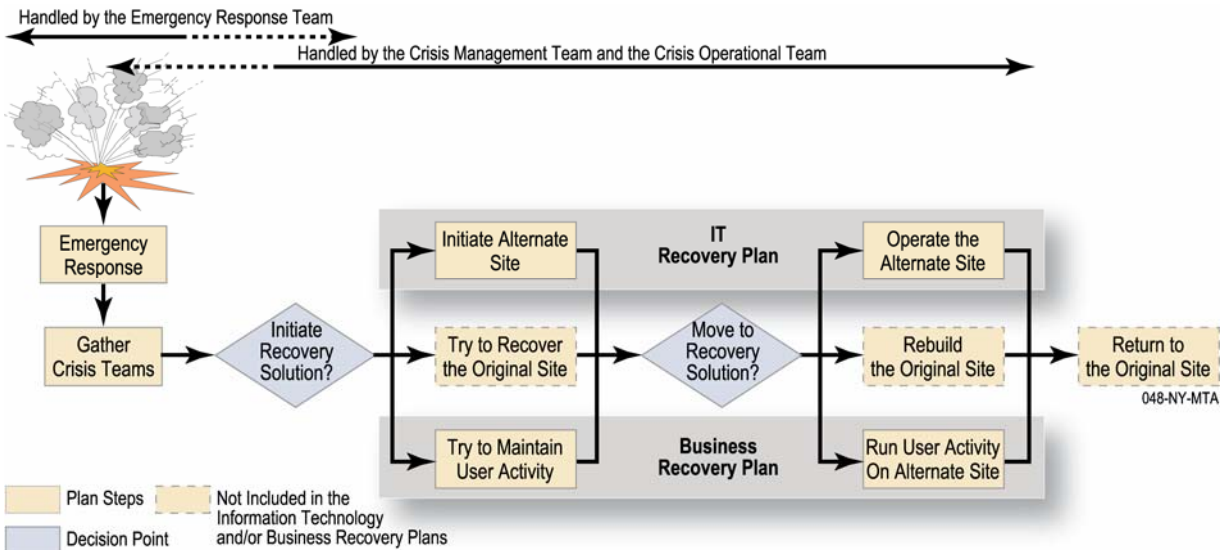


Figure 2.3.8-1 Disaster Management Mobilization Plan

Integrated Platform Testing Capability

IBM utilizes a process of test development and design outline in three phases:

- Phase I – Development Recoverability Assessment and Strategy
- Phase II – Technology Plan and Crisis Plan Development
- Phase III – Testing of the Commonwealth's plan and training of appropriate personnel

IBM has invested in hardware and knowledge skills that allow us to offer the same comprehensive level of test support for multi-vendor technology as we do for our own IBM products. We take into account your diverse range of operating system applications and databases, such as OS/390, Oracle, Microsoft Windows NT, and Novell Netware and the network directories that tie these together. Whether critical business applications run on hardware manufactured by IBM, Sun Microsystems, Digital Equipment Corporation (Compaq), Hewlett Packard, or other major manufacturers, we can utilize our technology skills and assets to provide an integrated platform testing capability and an end-to-end recovery solution.

Our recommended approach is to first define those elements of your information technology infrastructure that are critical to the continuous operations of the Commonwealth, then identify the recovery time objective and priorities that should be built into a comprehensive recovery plan.

Our IBM recovery sites provide the fully configured replacement technology and various options for network connectivity that you require. The Commonwealth's backup data can be physically transported

by tape media or electronically transmitted over high speed data lines. To provide additional capacity or a flexible alternative to an IBM recovery site, we offer mobile facilities.

Recovery Timeline

Each organization's recovery timeline is unique to their business needs. Within the ??? of the current SunGard agreement, consultants will guide the Commonwealth through a well-defined methodology that results in a realistic and effective recovery plan. This team of trained facilitators has specialized management and IT skills to engage with both business and IT staff at your company. They will help you create a recovery plan for restoring your business operations in the specific minute, hour or day intervals that you have established as your business objectives.

IBM working with you will:

- Predefine the conditions that may cause your recovery plan to go into effect
- Identify decision makers and their roles before, during and after an outage emergency
- Inventory the resources required to bring your IT systems back online
- Identify assumptions on backup technique, frequency and location for data vintage and retrieval
- Prioritize and sequence the restoration actions defined in your recovery plan in detailed timeline and checklist
- Predefine an operation center to coordinate status, issues and assignments
- Develop communication strategies for keeping your employees and customer informed
- Organize your recovery plan into a flexible, easily maintained tool
- Validate your recovery plan using diverse exercise approaches, such as conducting simulations based on real-life outage emergency declaration

No plan can anticipate every possible recovery scenario. Our team of consultants has extensive experience developing recovery plans for clients in diverse industries. They understand complex systems requirements, and the matchless continuity and recovery issues posed by real-time information systems, enterprise resource planning (ERP) implementations and Web-based e-commerce solutions. They help you evaluate alternative recovery actions for different types of outages that could affect your business. Working together, we design a plan to help you recover quickly and resume the critical processes in your business.

History of Drills and Success Rate

IBM has supported 45,000 recovery exercises worldwide utilizing our dedicated recovery specialists and has been number one in customer satisfaction for Disaster Recovery Services in double blind surveys since 1996.

Identify Experience with Disaster Declarations and Success Rate

During the 350+ disaster declarations we have supported in the US, IBM has been 100% successful in providing the necessary environment for our client's recovery. Since our entry into the disaster recovery marketplace, IBM has grown to include the most qualified and talented technical staff in the recovery business, with over 450 successful worldwide recoveries. We are well positioned to assist any company, of any size, to prepare for and mitigate the impact of a disaster. Our equipment inventory includes all major IBM and non-IBM platforms and peripherals. IBM offers 16 Recovery Centers in the U.S., and facilities in over 70 countries throughout the world.

There is a crucial reason why large institutions like Bank of America and American Express have decided to contract this service function through us: IBM can provide expertise that comes only through experience. The support and expertise that can be provided at testing and disaster time by IBM is invaluable when you cannot be assured that your personnel will be available to assist in the recovery (Industry research indicates you should only count upon 30% of your staff to be on hand in the event of a regional disaster). We are prepared to cover the regional disasters, such as floods, hurricanes, and the specific customer outage such as hardware and software. Figure 2.3.8-2 outlines the categories of the recoveries with which we have experience.

As the largest recovery vendor worldwide, IBM Business Continuity and Recovery Services is currently a \$400 million company, which has been experiencing a steady growth in subscriptions and in revenue. Time and again we have successfully recovered our customers during regional calamities. 1998 saw IBM again demonstrate its capacity, unmatched by any current Disaster Recovery provider, to recover multiple clients during a regional disaster, when we recovered an unprecedented 31 subscribers at once who had been impacted by Hurricane George. During another regional disaster, the New York City World Trade Center terrorist attack on 9/11, IBM Business Continuity and Recovery Services successfully supported 100% of our contractual obligations to our clients who declared a disaster due to this event. In addition, the IBM Corporation utilized the IBM Business Continuity and Recovery Services Emergency Operation Center (EOC) management process to coordinate and manage the support of over 250 customer requests for assistance covering space (data center and end-user space/workplace), hardware, software, networking, personnel, and other services. Support for these customers was provided by resources within the IBM Corporation and their partner relationships, without utilizing any of the dedicated resources (equipment and facilities) of the IBM Business Continuity and Recovery Services business unit to ensure they stood ready for an impending crisis.

Recoveries by Cause	Outage
51.3%	Hurricane
20.9%	Hardware
9.2%	Power
8.6%	Terrorism
4.9%	Earthquake
2.5%	Flood
2.5%	Software

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Figure 2.3.8-2 IBM Disaster Recovery Experience. IBM has extensive experience with recoveries from a range of disaster types.

Disaster Recovery Plan

A draft Disaster Recovery Plan is supplied in Schedule 3.9. A summary diagram from the Disaster Recovery Plan illustrating the recovery process flow is shown in the following in Figure 2.3.8-3: In this figure, the DRC is the Disaster Recovery Coordinator and the EMT is the Emergency Management Team.

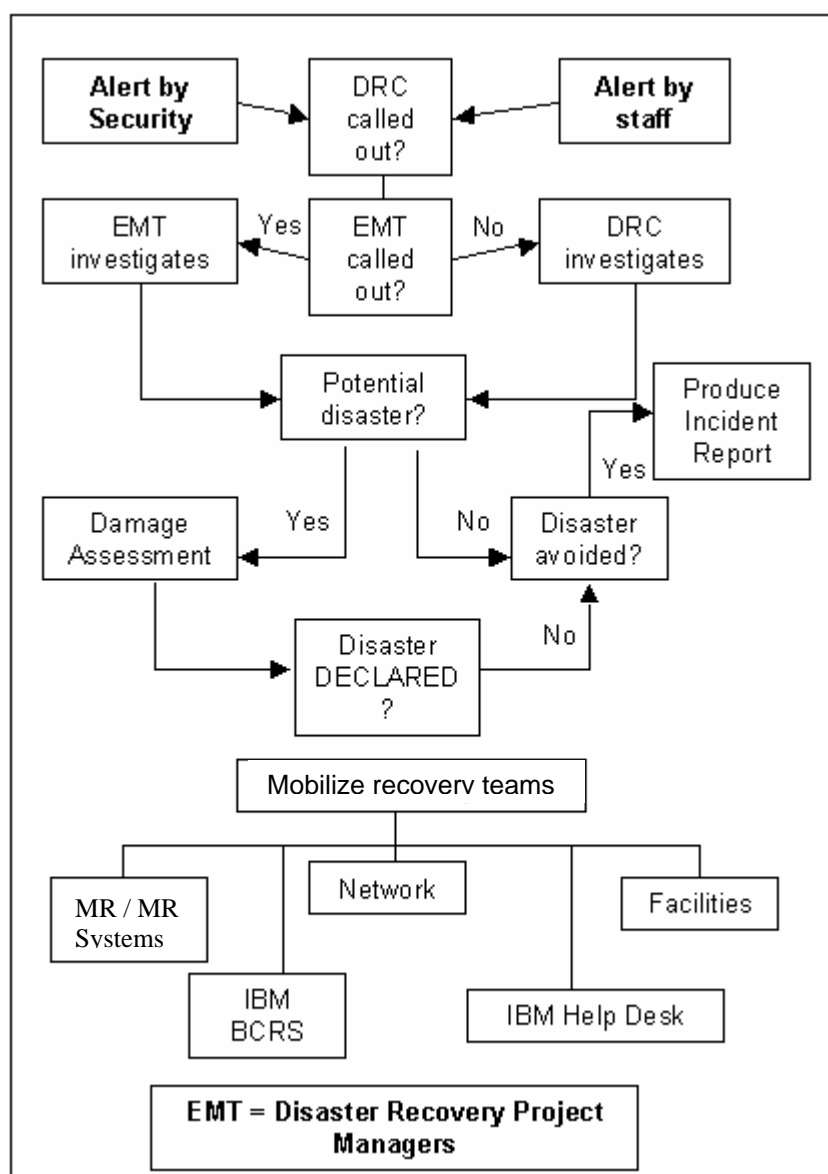


Figure 2.3.8-3 – Disaster Recovery Summary.

Disaster Recovery Approach

The Commonwealth Partners Disaster Recovery strategy will result in the following improvements for VITA and the Commonwealth of Virginia:

- Single, integrated DR Plan for all agencies
- Common processes and tools
- Economies of scale through centralized administration.
- Full coverage for all in-scope midrange and mainframe platforms.

Our approach is to initially utilize the SunGard contracts until their contract has expired. We will then utilize an IBM Business Continuity and Recovery Service (BCRS) Center. The BCRS provides the following advantages:

- The BCRS solution offers significant savings to the Commonwealth taxpayers when compared to the costs of constructing a new Backup Recovery Data Center or retrofitting existing structures to meet VITA's requirement. The recurring job opportunities at a new facility would be limited to a small number (approximately 5) of custodial and security personnel.
- Existing hardened site on day 1 of the transfer from SunGard to IBM, which meets industry-acceptable standards.
- A solution that exceeds the 100 mile distance requirement. For regional-wide catastrophes, locating the DR center outside of the Commonwealth can provide enhanced recovery. Some accounts prefer an out of state solution for this reason.

Backup tapes are stored at Iron Mountain for recovery with the BCRS location. Backup tapes are automatically cycled back to the data center from Iron Mountain on a weekly basis. The tapes remain at Iron Mountain for the following periods:

- Daily incremental backups - 35 days
- Full weekly backups - 5 weeks
- Full archive backups - indefinite

Our approach is also positioned for enablement of electronic vaulting. This approach incurs additional cost and is not included in our current cost case. There are both software (e.g. replication) and hardware (e.g. storage mirroring) techniques for realtime or near-realtime vaulting of data. The BCRS currently provides both asynchronous and synchronous options for electronic vaulting, with asynchronous being the less costly option.

Once the agency requirements are better understood, use of electronic vaulting can be further explored if required to improve recovery times. A Business Impact Analysis (BIA) will be performed to determine our business requirements with the aim of prioritizing systems in order of their criticality to the Commonwealth of Virginia.

2.3.9 Project management

Instructions to Vendors: Describe methodologies used to carry projects from requirements through finished deliverables, including project management, checkpoints and periodic status reporting back to Commonwealth. Describe policies and procedures employed to ensure the timely completion of tasks in a quality fashion.

Project Management

To provide value to VITA and successfully deliver on our commitments, the Commonwealth Partners must be able to organize, streamline and manage the complexity of the project entity in a consistent, measured and repetitive fashion. Our experience, derived from many contracts across multiple industries, has resulted in a standard management system that produces consistent results.

Project Management System

The Project Management (PM) System is an important component of our Worldwide Project Management Methodology (WWPMM), the repeatable, proven project-management methodology utilized for IBM projects worldwide. The PM System serves as an overarching framework that supports transition and ongoing operations.



**Figure 2.3.9-1- Worldwide Project Management Methodology
will be employed by the Commonwealth Partners**

The PM System is the means by which we will measure, monitor, and track all projects and facilitate the definition and integration of new projects over the life of the program. In addition, the PM System implements the organization (roles and responsibilities, VITA responsibility interface matrix), governance models (Executive Steering Committee, Executive Management Committee, and PMO), tools, processes and procedures required to measure, monitor and maintain high performance results.

Project Management Plan and Methodology

Our Project Management approach and services are designed to verify qualitative and timely delivery and control of a wide range of products and services. Our competencies are particularly suited to complex, diverse IT business environments similar to VITA's. Our disciplined set of Project Management methodologies and execution of best practices is key to successful implementation, transformation and on going support of the VTT Program. These methodologies include multi-level project planning and tracking tools that use industry standard Microsoft Project to establish detailed plans, identify tasks, set time frames and milestones, and assign roles and responsibilities.

We also use the International Project Management Institute's standards to contribute to successful service delivery. All Project Managers within IBM that will be assigned to this project are Certified Project Managers with the International Project Management Institute (PMI), and are designated with Project Management Professional status. This is the highest standard of Project Management certification available across the globe.

All IBM Project Managers are required to maintain their Certification status with the PMI through continuing Professional Credit accumulation each year. Project Management Professional status is an employment requirement for Project Managers within the organization. Many of our team's Project Managers have achieved qualification to administer Project Management Professional certification courses.

IBM is committed to the standard that the cornerstone to excellence in services delivery is directly related to excellence in Project Management; therefore IBM has established a project management center of excellence. The mission of the Project Management Center of Excellence is to support the practice of professional project management throughout the company. Additionally, IBM has developed a formal knowledge management system, called Intellectual Capital Management, which serves as a repository for best practices and lessons learned in the project management field. This resource is available to our project managers. Our industry experience and knowledge allows our project managers to minimize the

risks involved, and to provide successful solutions, on time and within budget, in complex environments such as VITA.

Within the VITA business and service environment, a Program Management Office (PMO) will be established at Comprehensive Agreement award, and will be fully involved in transition activities to attain complete engagement and satisfaction of VITA. The PMO will be led by a senior level Program Executive with significant experience in sourcing services partnering relationships. The PMO will remain in effect from Comprehensive Agreement signature and ending with the closing of the contractual Comprehensive Agreement.

Project Management Quality

The Commonwealth Partners will establish a Quality Management Process, which will be included in our Project Management Plan during the Transition Phase. We will use IBM's Quality Management Process as the baseline, working with VITA, to customize the processes and procedures to provide a set of Quality Management processes that meet both IBM and VITA's quality standards.

Through adherence to Quality Planning, Quality Assurance and Quality Control processes and procedures, along with the overall WPPM methodology, the project tasks and deliverables will be tracked for timely completion along with providing quality solutions and services.

For more information on the Commonwealth Partner's Quality Management Program, please refer to Section 2.3.4 : Quality Management.

2.4 Use of Subcontractors

Instructions to Vendors: Use the table below for each subcontractor.

IBM is dedicated to building and managing a diverse portfolio of participating vendors to deliver “best of breed” services under this contract. As the prime vendor, IBM will partner with the following vendors.

Table 4. Subcontractors

Subcontractor Name	BearingPoint, Inc.
Fiscal 2004 Company Revenue	\$3.14 billion <i>FY2004 financial statements have not yet been released, thus FY2003 figure has been provided.</i>
Fiscal 2004 Company Net Income	\$41.31 million <i>FY2004 financial statements have not yet been released, thus FY2003 figure has been provided.</i>
Company ownership (i.e. private/public, joint venture)	Publicly Traded Company
Headquarters Location	1676 International Drive McLean, Virginia
Date Founded	BearingPoint has more than 100 years of collective experience behind the services and solutions it offers to its clients. On February 6, 1997, KPMG Consulting was reorganized into a distinct operating unit of KPMG LLP, and on January 31, 2000, it completed the separation from KPMG LLP and began operating as KPMG Consulting LLC. The Initial Public Offering of KPMG Consulting, Inc., on the NASDAQ (Symbol: KCIN) was launched on February 8, 2001. On October 2, 2002, KPMG Consulting announced its new name and made the global transition to BearingPoint. On October 3, 2002, BearingPoint began trading on the New York Stock Exchange under the symbol BE.
Number of employees	Approximately 16,000
Products or Services to be provided	Help Desk, Messaging, Data Network, Voice and Video Telecommunications Services
Experience of subcontractor in performing the services to be provided	BearingPoint’s Infrastructure Solutions assists organizations in dealing with the challenges of a dynamic market environment. This means that whenever business or process changes are creating infrastructure and network challenges within an organization, BearingPoint Infrastructure Solutions practice has the technical expertise to deliver a full suite of solutions that focuses on specific aspects of enterprise infrastructure and computing platforms and networks to solve these issues. With our Infrastructure Solutions we take a holistic approach, one that enables you to review and rapidly tune your enterprise or business unit IT infrastructure rapidly in critical areas. One of the biggest differentiators BearingPoint brings to the table is experienced people, dedicated full time to serving state and local

	government clients. While many companies have recently entered the government marketplace, finding it fertile ground during the economic downturn, BearingPoint has been serving state and local governments for more than 50 years. BearingPoint's U.S. State and Local Government practice is made up of approximately 600 professionals who care deeply about government. Many of its people have spent years working inside state and local governments, doing everything from providing services to managing business systems.
Brief description of project that Vendor has partnered with this subcontractors	<p>US Customers: e-Customs Partnership/Streamline Customs commercial processing systems (\$1.3 billion over 15 years)</p> <p>US Navy: Multiple options exercised for different scopes of work throughout 2005 on the NAVSEA ERP contract (\$169 million over 1 year)</p> <p>US Navy: NAVAIR ERP (\$90 million over 5 years)</p> <p>Commonwealth of Pennsylvania: Redesign, streamline and standardize key processes across all 53 state agencies (\$140 million)</p> <p>New York Department of Labor: Unemployment insurance modernization (\$30 million)</p> <p>JP Morgan Chase: Major IP telephony rollout in support of the retail branch environment (\$20 million over 7 years)</p> <p>Texas Department of Transportation: Point-of-sale application redesign (\$16.5 million over 2 years)</p> <p>Minnesota Department of Employment and Economic Development: Business process redesign and technology modernization services (\$16 million over 2 years)</p>
Locations where work to be performed	Redacted

Subcontractor Name	STI Knowledge, INC
Fiscal FY '05 Company Revenue	\$24.8M
Fiscal 2004 Company Net Income	<p>(\$2.9M)</p> <p>Note: Net loss reflects in large part Accenture/State of Florida's election to cancel for convenience, the technical help desk outsourcing contract. STI is currently working with Accenture and the State of Florida through the termination settlement process and expects to recover between \$3.0M to \$5.0M for cost incurred in FY '05 under this contract. The net loss excludes any impact from expected settlement costs.</p>
Company ownership	Private
Headquarters Location	Atlanta

Date Founded	1995
Number of employees	558
Products or Services to be provided	Help Desk Consolidation Services Training and Certification Technology Deployment Level 1 - 1.5 Service Desk Operations
Experience of subcontractor in performing the services to be provided	Currently provides the same services to the following customers: <ul style="list-style-type: none"> • Alcoa • Citrix • Chick-Fil-A • United Health Group • Fannie Mae <ol style="list-style-type: none"> 1. University of Illinois Medical Center 2. State of Florida: Previously provided to the State as part of their statewide outsourcing agreement.
Brief description of project that Vendor has partnered with this subcontractors	Help Desk Consolidation Services Training and Certification Technology Deployment Level 1 - 1.5 Service Desk Operations
Locations where work to be performed	Redacted

Subcontractor Name	Internosis – A Registered Virginia Small Business
Fiscal 2004 Company Revenue	\$40 million
Fiscal 2004 Company Net Income	Internosis is profitable and generates cash from operations. Internosis has a strong balance sheet with current assets exceeding current liabilities at a ratio of 3:1 as of April 30, 2005. The Company has no bank borrowings and has a line of credit with a commercial bank that has never been drawn upon. Internosis has a demonstrated history of growth and the funding of its growth through operations. Internosis is owned primarily by General Atlantic Partners, LLC. General Atlantic Partners is the world's leading private equity investment firm focused exclusively on information technology, process outsourcing and communication investments on a global basis and has over \$5 billion in capital under management. Internosis is a privately held Company. Accordingly, financial statements are confidential and are typically not distributed on a wide scale basis. However, we would be happy to provide you with the contact information for any references you may want from General Atlantic Partners, our commercial bank or our auditors. Should we be selected to provide the services discussed in this

	proposal we would be able to provide you with audited financial statements and other financial information at your request.
Company ownership (i.e. private/public, joint venture)	Private company
Headquarters Location	Greenbelt, Maryland with offices in Windham, NH, Colorado Springs, CO, New York, NY and Tyson's Corner, Virginia.
Date Founded	January 2000
Number of employees	300 employees
Products or Services to be provided	Internosis provides business-driven IT services for Microsoft technologies in the enterprise. A Microsoft Gold Certified Partner and six-time Microsoft Partner of the Year, Internosis has unmatched expertise in Microsoft and related technologies. Its consultants and engineers have architected and integrated reliable enterprise applications and infrastructures that maximize return on Microsoft investments. Internosis will be a part of the email platform and consolidation efforts.
Experience of subcontractor in performing the services to be provided	Internosis provides business-driven IT services for Microsoft technologies in the enterprise. With professional services in IT strategy, application development, IT infrastructure, and managed services, Internosis delivers predictable outcomes as it helps clients manage technology change. A Microsoft Gold Certified Partner and six-time Microsoft Partner of the Year, Internosis has unmatched expertise in Microsoft and related technologies. Its consultants and engineers have architected and integrated reliable enterprise applications and infrastructures that maximize return on Microsoft investment. Internosis applies its qualified technologists, disciplined process and innovative solutions experience to help clients minimize risk and maximize productivity around directory services, knowledge management, collaboration, and end-to-end migrations. Internosis clients include leading businesses across industries as well as agencies and divisions of federal, state and local governments. Internosis has made its primary business as a provider of Microsoft Solutions and subject matter expertise ever since the inception of the first Microsoft partner programs dating back to 1990. By serving both Commercial as well as Public Sector clients, Internosis has accumulated a wealth of "best practices" for the integration of Microsoft technologies into the Enterprise over the last 15 years.
Brief description of project that Vendor has partnered with this subcontractor	Internosis has operated as a trusted sub-contractor to Bearing Point since 2003. Internosis was initially introduced and began subcontracting to Bearing as a result of the Microsoft Global Development Application Program (GDAP). GDAP is a strategic Microsoft program for the development of Vertically integrated industry solutions based upon the Microsoft platform. Most recently Internosis was called upon to support the development of these capabilities within Bearing Point. As a result, Internosis supported the capture and award of the TSA's Transportation Worker Identification Card (TWIC) program. Internosis

	provided proposal as well as post award support for Microsoft application development. Internosis skill sets used in the delivery of this project included: SQL Server, BizTalk Server 2004, Visual Studio.net, and Windows Server 2003 Active Directory.
Locations where work to be performed	Redacted

Subcontractor Name	Verizon Communications Inc.
Fiscal 2004 Company Revenue	\$71.3 Billion
Fiscal 2004 Company Net Income	\$7.8 Billion before discontinued operations and cumulative accounting change
Company ownership (i.e. private/public, joint venture)	Public
Headquarters Location	1095, Avenue of the Americas, New York, NY
Date Founded	Verizon Communications Inc., based in New York and incorporated in Delaware, was formed on June 30, 2000, with the merger of Bell Atlantic Corp. and GTE Corp. Verizon began trading on the New York Stock Exchange (NYSE) under its new "VZ" symbol on Monday, July 3, 2000.
Number of employees	Diverse workforce of 214,000 across 4 business units
Products or Services to be provided	Verizon is divided into four business units: Domestic Telecom provides customers with wireless and other telecommunications services, including broadband. Verizon Wireless owns and operates the nation's most reliable wireless network, serving 45.5 million voice and data customers across the United States. Information Services operates directory publishing businesses and provides electronic commerce services. International includes wireless and wireless operations and investments, primarily in the Americas and Europe
Experience of subcontractor in performing the services to be provided	<p>Verizon Enterprise Solutions Group manages the design, operation and maintenance of end-to-end integrated network solutions for large business, government and education customers across the United States. With over 7,800 employees in 35 states, Verizon Enterprise Solutions Group offers a complete range of basic and advanced communications products and services to meet the voice, video, data and IP-related needs of its customers. In addition, over 5,200 field operations personnel support enterprise customers nationwide.</p> <p>Key Statistics</p> <ul style="list-style-type: none"> • Approximately \$6 billion in 2004 business unit revenues • More than 7,800 employees • Operations in 35 states • More than 100 sales offices • 55 customer care centers nationwide

	<ul style="list-style-type: none"> • Approximately 4,600 customer service delivery personnel • Over 5,200 field operations support personnel <p>Customer Base</p> <ul style="list-style-type: none"> • Fortune 1000 companies • Government (federal, state, local) • Education (K-12, post-secondary) • 10,000 customers • 2,800 colleges and universities • Key vertical market concentrations in finance, education, health care and government <p>Strategic Business Partners</p> <ul style="list-style-type: none"> • Alcatel • Cisco Systems • EDS • EMC · IBM • Lucent Technologies • NEC Unified Solutions • Nortel Networks • Products and Services <p>Voice services</p> <ul style="list-style-type: none"> • Switched and private line • Long distance • Centrex • E911 <p>Voice and data customer premises equipment</p> <ul style="list-style-type: none"> • Staging and configuration • Installation and maintenance <p>Managed network services</p> <ul style="list-style-type: none"> • Help desk services • IP telephony management • Server management • QoS management • VPN and WAN management • Managed IP security services Data services • Ethernet services • Storage area networking • Data replication/mirroring • IP virtual private networks • Dedicated Internet access • Optical services • Private Line • Frame Relay Service • ATM
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	<ul style="list-style-type: none"> Unified Messaging <p>Video services</p> <p>Call Center services</p>
Brief description of project that Vendor has partnered with this subcontractors	Verizon and IBM have had a strong alliance for over 3 years providing innovative, integrated network solutions of large business, government and education across the United States. Such joint solutions have included financial institutions, transportation, manufacturing, government and education customers with a broad set of solutions including optical, Ethernet and other transport connectivity, voice and data CPE and managed services.
Locations where work to be performed	Redacted

Subcontractor Name	IndigeTech – A Registered Virginia Small Business
Fiscal 2004 Company Revenue	\$ 2,200,000.00
Fiscal 2004 Company Net Income	\$ -187,035.00
Company ownership (i.e. private/public, joint venture)	Private
Headquarters Location	830 East Main Street, Suite 1801 Richmond, Virginia 23219
Date Founded	IndigeTech, Inc. was founded on February 16, 2000. IndigeTech, LLC was founded on June 1, 2004.
Number of employees	18
Products or Services to be provided	IndigeTech works with state agencies to show them how to do more with less using dashboards. We provide information technology consulting in enterprise dashboards, business intelligence, data warehousing, and integration. IndigeTech leverages existing technologies and information so that government agencies can deliver more services to constituents with fewer resources.
Experience of subcontractor in performing the services to be provided	<p>IndigeTech's solutions for state government leverage past investments for improving future operations. Our solutions integrate existing information and systems for enhanced decision making and improved operational performance. We leverage technologies that our clients already own and add value by getting disparate systems and information to work together.</p> <p>While Dashboards are relatively new in the marketplace, IndigeTech has over three years of experience developing Dashboards for state agencies and other organizations. Our many success stories exhibit the impact and high return on investment (ROI) that Dashboards bring. Our proven agile methodology allows us to deliver quick, low cost solutions and provides the flexibility required to meet changing requirements.</p>

	<p>An important aspect of developing successful Dashboards and Scorecards is defining key performance indicators. IndigeTech's consultants have experience in state agencies and understand their unique requirements. Our proven agile methodology emphasizes communication with business users and early releases of working systems. This ensures that performance metrics align with organizational/business goals for greater operational monitoring. IndigeTech's Enterprise Dashboards provide performance management aligned with business goals. Dashboards enhance decision making, improve accountability, transition organizations from reactive to proactive management, and provide a view of performance which validates process improvements.</p> <p>Dashboards show a unified view of organizational performance. They are management tools that give real time, at-a-glance analysis of key performance indicators and summarize information from different source systems and display the data graphically for quick comprehension.</p>
Brief description of project that Vendor has partnered with this subcontractors	Not Applicable
Locations where work to be performed	Redacted

Subcontractor Name	Microsoft Corporation
Fiscal 2004 Company Revenue	\$36.83 billion
Fiscal 2004 Company Net Income	\$8.16 billion
Company ownership (i.e. private/public, joint venture)	Microsoft is a publicly held company.
Headquarters Location	<p>Redmond, Washington</p> <p>One Microsoft Way</p> <p>Redmond, WA 98052- 6399</p> <p>(425) 882-8080</p>
Date Founded	<p>Founded in 1975, Microsoft Corporation is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software -- any time, any place and on any device. Today, Microsoft is empowering people everywhere to realize their potential because Microsoft software is available anytime, any place, and on any device.</p>
Number of employees	57,000
Products or Services to be provided	<p>Consolidated messaging including technologies from the following areas.</p> <p>Information Worker Infrastructure: systems and tools to help</p>

	<p>increase worker productivity; Operational Infrastructure: management systems that drive security, value and interoperability; and Application Platform: tools that drive greater connectedness between applications and systems.</p> <p>Microsoft's Core Business areas include:</p> <ul style="list-style-type: none"> • Windows Client, including the Microsoft® Windows® XP desktop operating system, Windows 2000, and Windows Embedded operating system. • Information Worker, including Microsoft Office, Microsoft Publisher, Microsoft Visio®, Microsoft Project, and other stand-alone desktop applications. • Microsoft Business Solutions, encompassing Great Plains and Navision business process applications, and bCentral™ business services. • Server and Tools, including the Microsoft Windows Server System™ integrated server software, software developer tools, and MSDN®. • Mobile and Embedded Devices, featuring mobile devices including the Windows Powered Pocket PC, the Mobile Explorer microbrowser, and the Windows Powered Smartphone software platform. • MSN, including the MSN® network, MSN Internet Access, MSNTV, MSN Hotmail® and other Web-based services. • Home and Entertainment, including Microsoft Xbox®, consumer hardware and software, online games, and our TV platform.
Experience of subcontractor in performing the services to be provided	<p>Microsoft Exchange and Outlook dominate the Enterprise Messaging space in today's market with greater than 58% of seats running on a Microsoft platform. To date, Microsoft Exchange and Outlook have successfully achieved an installed base of over 120+million seats.</p> <p>Microsoft along with our partners have proven and demonstrated experience in supporting messaging/collaboration systems from all customer segments. Including, Pennsylvania, New York, US Marines/Navy, US Social Security Administration, Boeing, Korea.com, and Siemens.</p>
Brief description of project that Vendor has partnered with this subcontractors	<p>Microsoft teamed with BearingPoint to create a Pension Administration Solution (BPAS) implementation for the North Carolina Department of State Treasurer. The new pension administration system was aimed at more efficient handling of an increasing workload. BearingPoint gathered a team with specific experience in large scale, retirement-related technology implementations. The new system is based on BearingPoint's Pension Administration Solution, powered by Microsoft (BPAS) and is designed to produce lower administrative costs by providing electronic processing of information, automated customer service functions and a centralized database.</p> <p>Microsoft and BearingPoint are also currently working on a project for</p>

	the Louisiana State Employees Retirement System. BearingPoint developed an Integrated Pension Administration Solution to replace the current legacy pension administration systems. A combination of BearingPoint's Pension Administration Solution (BPAS) and a browser based solution framework built on Microsoft .NET technology will be used to limit the custom-development and risk associated with the implementation.
Locations where work to be performed	Redacted

Subcontractor Name	Liberty Property Trust
Fiscal 2004 Company Revenue	\$ 655.4 million
Fiscal 2004 Company Net Income	\$ 161.4 million
Company ownership (i.e. private/public, joint venture)	Publicly traded on the New York Stock Exchange under the symbol LRY.
Headquarters Location	Malvern, PA
Date Founded	Founded in 1972 in Malvern, Pennsylvania as Rouse and Associates. In 1994, the company organized as Liberty Property Trust.
Number of employees	425 in nineteen offices and eleven states.
Products or Services to be provided	Data Center and Offices Development and Property Management
Experience of subcontractor in performing the services to be provided	<p>Liberty was voted the National Developer of the Year by the National Association of Industrial and Office Parks. Liberty's presence began in Virginia in 1995 through a merger with Lingerfelt Development Corporation. Liberty owns a \$6 billion real estate portfolio comprising more than 62,000,000 square feet of industrial and office buildings.</p> <p>Liberty's Richmond, Virginia office developed a \$30 million, 108,000 square foot secure data center for Capital One in Richmond in 1996. The Richmond office has also developed approximately 420,000 square feet of call centers in the Richmond metropolitan area during the past 5 years.</p> <p>Liberty Property Trust owns 6,500,000 square feet of real estate in sixty seven office, industrial and office/warehouse buildings in the Commonwealth, in markets from Roanoke to Virginia Beach, and Chester to Fredericksburg.</p> <p>Liberty will have responsibility for the establishment of the new consolidated Commonwealth Technology Center along with facilities management throughout the life of the program.</p>
Brief description of project that Vendor has partnered with this subcontractors	N/A

Locations where work to be performed	Redacted
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Subcontractor Name	Hayes, Seay, Mattern and Mattern, Inc.
Fiscal 2004 Company Revenue	\$65,119,000
Fiscal 2004 Company Net Income	\$723,000
Company ownership (i.e. private/public, joint venture)	Corporation
Headquarters Location	HSMM has 18 offices in the Southeast and Mid-Atlantic. HSMM's corporate headquarters is located in Roanoke, VA.
Date Founded	Founded in 1947, the firm began as a four-person partnership in Roanoke, Virginia
Number of employees	560 architects, engineers, planners, scientists, and support personnel
Products or Services to be provided	Full-service architectural and engineering services. The firm has a broad range of experience in designing data and communications centers within highly secure environments.
Experience of subcontractor in performing the services to be provided	<p>For more than fifty years, Hayes, Seay, Mattern & Mattern, Inc. (HSMM) has provided the full spectrum of architectural, engineering, and planning services to clients throughout the United States and the world. HSMM is committed to the principles of quality design, technological innovation, and client satisfaction.</p> <p>HSMM is committed to staying in the forefront of new technology, both in terms of innovations in the architectural/engineering systems we design and in the methods we use to deliver our services. We have remained on the leading edge of Computer Aided Design and Drafting (CADD) technology for more than 20 years, including the latest 3D CADD software that incorporates "intelligent" objects. HSMM also has state-of-the-art virtual reality/3D animation software, with a studio dedicated to creating presentations and virtual tours that assist clients in visualizing projects long before construction begins. This commitment to technology and innovation allows us to continually add quality and value to the services we offer.</p>
Brief description of project that Vendor has partnered with this subcontractors	N/A
Locations where work to be performed	Redacted as well as HSMM offices in Roanoke and Virginia Beach.

Subcontractor Name	Manhattan Construction Company
Fiscal 2004 Company Revenue	693,701,265

Fiscal 2004 Company Net Income	5,623,256
Company ownership (i.e. private/public, joint venture)	Private
Headquarters Location	Tulsa, Oklahoma
Date Founded	1896
Number of employees	793 (405 of these are salaried)
Products or Services to be provided	General Construction
Experience of subcontractor in performing the services to be provided	Manhattan Construction Company is a nationally renowned full-service general contractor with 108 years of building excellence specializing in innovative construction solutions for both public and private clients. We have built millions of square feet of data centers, corporate office buildings, and government facilities within the Commonwealth from its regional offices in Richmond and Fairfax, Virginia.
Brief description of project that Vendor has partnered with this subcontractors	N/A
Locations where work to be performed	Redacted

Subcontractor Name	Advantus Strategies, L.L.C.
Fiscal 2004 Company Revenue	\$500,000 to \$1,500,000
Fiscal 2004 Company Net Income	NA
Company ownership (i.e. private/public, joint venture)	Private / Limited Liability Company
Headquarters Location	Richmond, Virginia
Date Founded	September 1, 1998
Number of employees	10
Products or Services to be provided	Government Affairs, Lobbying and Public Relations Services
Experience of subcontractor in performing the services to be provided	Advantus Strategies, L.L.C. has been a partner providing both Government, Community and Public Affairs Consulting Services on a number of Public Private Education and Infrastructure Act and Public Private Transportation Act Proposals including working with Fluor Corporation on Interstate 81, Lincoln Properties on Capital Square Restoration and Renovation and Manhattan Construction on 801 East Franklin.
Brief description of project that Vendor has partnered with this subcontractors	Commonwealth Partners has submitted a proposal to the Virginia Information Technology Agency to provide technology infrastructure services, including data center consolidation and operations, disaster

	backup and recovery, enterprise messaging and help desk support.
Locations where work to be performed	Southwest Virginia, the greater Richmond area and other locations throughout the Commonwealth

Subcontractor Name	Internet Security Systems
Fiscal 2004 Company Revenue	\$289.9M
Fiscal 2004 Company Net Income	\$26.3M
Company ownership (i.e. private/public, joint venture)	Public
Headquarters Location	Atlanta, GA
Date Founded	1994
Number of employees	1200
Products or Services to be provided	Network and Server Security Products
Experience of subcontractor in performing the services to be provided	Internet Security Systems (ISS) has served as the trusted security advisor to global enterprises and world governments for over a decade
Brief description of project that Vendor has partnered with this subcontractors	Virginia Information Technologies Agency
Locations where work to be performed	Richmond, VA or Commonwealth of Virginia

2.5 References

Instructions to Vendors: Provide at least five references of customers (preferably customers comparable to Commonwealth) with comparable scope of service. Note that this section should be provided to Commonwealth before the Proposal Due Date (See Detailed Proposal Rules for due date).

Each vendor within the Commonwealth Partners is highly successful in their respective fields. To highlight the experience this team brings the Commonwealth of Virginia, and to provide VITA with contact information for client references on those projects that are particularly relevant to the Infrastructure PPEA, we respectfully submit the following for your consideration

IBM

- American Express
- Discover Financial Services (A Morgan Stanley Subsidiary)
- State of California, Child Welfare Services Case Management System
- AK Steel
- State of Maryland, Department of Human Resources

BearingPoint

- State of Texas
- Commonwealth of Pennsylvania

STI Knowledge

- Fannie Mae
- Chick-fil-A

Liberty Property Trust

- Capitol One
- Elizabeth Arden
- SunCom

Verizon

- VITA DOC Services
- VITA Regulated & Non-Regulated Services
- VITA VEC Services

IBM/BearingPoint Success Stories: This matrix lists a representative sample of where IBM and BearingPoint have successfully partnered in the past. Previous successful partnerships verify our ability to work together, thereby reducing some of the risk associated with multiple vendors on a project of this size and complexity.

Customer	Project / Description	Period of Performance	Prime Role	Total Value of Contract at Award
US Customs	e-Customs Partnership / Streamline Customs commercial processing systems	2001 - 2016	IBM	\$1.3 Billion
US Navy	NAVSEA - ERP (NEMEAIS) multiple options exercised for different scopes of work through 2005	2000 – 2001	IBM	\$169 Million
Commonwealth of Pennsylvania	Redesign, streamline, and standardize key processes across all 53 state agencies	2000 – multi year	Joint	\$140 Million
US Navy	NAVAIR - ERP	2000 - 2005	BearingPoint	\$90 Million
New York Department of Labor	Unemployment Insurance Modernization	2004 – multi year	IBM	\$30 Million
JP Morgan Chase	Major IP telephony rollout in support of the retail branch environment	2003 - 2010	Joint	\$20 Million
Texas Department of Transportation	Point-of-Sales(POS) Application Redesign	2001 - 2003	IBM	\$16.5 Million
Minnesota Department of Employment and Economic Development	Business process redesign and technology modernization services	2003 - 2005	BearingPoint	\$16 Million

Table 2.5-1 – IBM/BearingPoint Success Stories

IBM Cross Reference: In addition to Individual Client References, each of these successful projects contained elements similar in scope to those elements being proposed.

Account/ Customer	Project Snapshot	Data Center	Desktop	Email	Customer Care	eGovernment	Network	Application	Bus. Continuity	Transition	Wireless	Transformation	Data Security	Consolidation
California CWS/CMS	ADM and Sourcing Services bringing technology to County Child Welfare workers.	•	•	•	•		•	•			•	•	•	
Miami-Dade County, FL	Enterprise e-government Portal development and implementation utilizing content management tools.					•		•			•	•		•
New York OFT	Implementation of a fully integrated enterprise network infrastructure, including Help Desk services	•	•	•			•					•		
N. Y. Women Infants Children	Workstation rollout and infrastructure upgrade, with ongoing maintenance including wireless technology		•				•				•	•		•
Chicago Parking	Parking Solution with innovation and processes increasing collections by 50%.	•			•	•		•		•		•		
State of Maryland, CATT	CapWIN, an inter-jurisdictional communication system for 100 emergency services agencies.					•		•			•	•		
California FTB	An award winning e-gov solution to accurately identify non-filers of state taxes.					•		•				•	•	
Pennsylvania Labor & Industry	Systems Management Consulting to improve Help Desk services, performance and security.				•	•						•	•	
Maryland DHR	Sourcing Services for Maryland and City of Baltimore case workers.	•			•		•			•				
Washington ACES	Sourcing Services and ADM for delivery of social services benefits scoring 100 points in use of technology.	•	•		•	•		•						
Arizona Portal	Citizens access to state government services through a Section 508 compliant Portal	•				•		•				•	•	
City & County of San Francisco,	Consolidated messaging systems for e-gov services lowering total cost of ownership.					•						•		•
NYC Buildings	9/11/2001 crisis response implementation of a Wireless Building Inspection solution.					•					•	•		
Navy Federal Credit Union	Internet Solution delivering products and services and enabling reengineering of legacy systems.						•					•		•
Connecticut, DOIT	Data Center Build and Relocation Services.	•								•			•	•
Arizona DoT - ServiceArizona	OnLine motor vehicle department services resulting in 76% savings versus 'over the counter'	•				•		•				•		
AZ Sex Offenders Website	Provide e-gov solution that allows the public to find information about sex offenders on-line	•				•		•						
Yakima Police	Implementation of in car digital video capture for patrol cars with aggregated data.										•	•	•	
Commonwealth of Pennsylvania	High Availability Sourcing Services for eleven agencies improving services to 12M citizens. (subcontractor to Unisys)	•					•		•	•				
NY State Division of Parole	Implementation of a wireless parole case management system utilizing IBM Workpad devices.					•					•	•		
Pinellas County, FL	Network and server consolidation to provide better e-government services.					•						•		•
Naval Sea Sys. Command	Automated enterprise backup solution for their Data Center.								•				•	•
Cook County Hospital, IL	Architected and implemented a wireless infrastructure of existing and new facilities.									•	•			

Table 5. Reference 1 – IBM Reference #1

Company Name	American Express
Industry	Financial Markets
Scope of services provided	<p>In March 2002, American Express signed a seven year contract with IBM. 2,000 American Express IT employees were transitioned to work for IBM, allowing American Express to retain core competencies for its environment while relieving the company of the financial pressures associated with that large group of personnel. The IBM team provides American Express with utility-like access to its vast computing resources, helping to improve the quality, performance and delivery of American Express technology systems. IBM delivers technical support services onsite at American Express locations across the world. IBM's Enterprise Systems Management and other project management methodologies are being introduced as part of the overall effort to integrate American Express' processes, people, tools and information to manage IT, infrastructure and relationships.</p> <p>IBM also provides American Express with up-to-date disaster recovery services for its entire IT environment. IBM completed major mainframe disaster recovery improvements in June 2003 and is working to improve recovery of the midrange environment.</p> <p>The entire scope of SO services for the engagement include:</p> <ul style="list-style-type: none"> • Asset, database, client/desktop, server, security, network, operations, performance and problem management services • Disaster Recovery • e-mail/Groupware Administration • Facilities (Hardware and Environmental) management • Help Desk • Logical Access • Web Hosting • Business Capability • Supplier Capability • End User Computing • Critical Business Systems • Software License Management • Logistics
Contract size	\$4 billion
Start Date	March 2002
Contract Term	7 Years
Contact Name	Peggy Evans

Contact Telephone Number	602-537-0213
Contact Address	200 Vesey Street New York, New York 10285
Contact e-mail	Customer has requested that this information not be released.
Vendor Project Manager Name	Theresa Carter Tel: 602-537-1011 Email: tkcarter@us.ibm.com

Table 5. Reference 2 – IBM Reference #2

Company Name	Discover Financial Services (Morgan Stanley Subsidiary)
Industry	Financial Markets
Scope of services provided	<p>Discover and IBM have had a long, excellent relationship since 1992, when Dean Witter and Discover entered into its first outsourcing contract with IBM. In 1999, a new five year services contract was signed between IBM and Morgan Stanley, who purchased Discover in 1997. In mid-2003, with the services contract ending in 2005, Morgan Stanley approached IBM for a new solution that would offer Morgan Stanley further savings in the IT services' area.</p> <p>Through a series of joint discussions, it was determined that migrating Morgan Stanley's mainframe processing to the new On Demand Computing model would provide significant savings to the current operating environment and would also continue to fully meet their business processing needs. As a result, Morgan Stanley and IBM entered into a new six year agreement scheduled through November, 2010. As part of the new agreement, IBM agreed to migrate two of three business units of Morgan Stanley, the Individual Investor Group (IIG) and Discover Financial Services (DFS), to the new On Demand Processing Utility, comprised of a reduced, simplified system software stack on the mainframe.</p> <p>At Discover, the transition effort began in June, 2004 and will be completed by the third quarter of 2005. The effort is currently focused on the conversion of the existing system products and tools to the new, reduced software stack. The transition effort is rated "green" and is approximately nine months ahead of schedule.</p> <p>In addition to the conversion of the mainframe processing environment, IBM also provides an extensive array of services to Discover. These services include all mainframe disaster recovery services, all messaging services, a portion of midrange services, all web hosting services, and the management of the Discover Network for the Discover-Merchant communications.</p> <p>In the midrange area, a total of 120 midrange systems are managed by IBM from the IBM data center located in Columbus. The remainders of Discover's Midrange and Intel environments are managed by</p>

	Discover at their data center located in Riverwoods, Illinois.
Contract size	1992-1998: \$300 million, 1999-2010: \$2.1 billion
Start Date	1992
Contract Term	7 year original contract with 11 additional extension years
Contact Name	Lut Calctote
Contact Telephone Number	Lut Calctote at Discover Financial will gladly discuss the IBM project. However, due to the volume of requests, has requested that representatives first contact the IBM Sr. Project Executive (Fern McGuire) below to schedule reference discussions.
Contact Address	2500 Lake Cook Road, RW2 Riverwoods, IL 60015
Contact e-mail	Customer has requested that this information not be released.
Vendor Project Manager Name	Fern McGuire Tel: 224-405-3760 Email: fernmcguire@us.ibm.com

Table 5. Reference 3 – IBM Reference #3

Company Name	State of California, Child Welfare Services Case Management System
Industry	State Government
Scope of services provided	<p>The California child welfare agencies provide child welfare services in 58 counties from over 300 physical sites across the state. Functions include intake, client information, service delivery, case management, placement, court processing, caseload, resource management, system administration, program management, adoptions and licensing.</p> <p>Each of the 58 counties has a separate agency. There were 58 different case management systems, many of them manual. The customer was interested in providing tools and information to the counties which would maximize the effectiveness of child welfare resources and allow greater focus on accomplishing the mission of child welfare services. Federal funding was made available to the state to develop and implement an automated system.</p> <ul style="list-style-type: none"> IBM developed, implemented and operates a centralized online Case Management System (CMS), consolidating the operations of 58 agencies. This system provides case management capabilities for the more than 16,000 California Child Welfare System (CWS) case workers. The system utilizes fat-client architecture, running the client software under Windows 95, and the server software under MVS using CICS and DB2. CMS maintains one of the largest DB2

	<p>databases in North America.</p> <ul style="list-style-type: none"> • IBM Application Management Services (AMS) provided industry expertise and a disciplined approach to design, develop, implement, and maintain CMS. Services included training and conversion. IBM delivers continued improvement in all new releases, exceeding Child Welfare Services satisfaction targets. The system is highly stable, available 24 hours per day, seven days per week for 20 months with no host outages. The number of tickets opened by the Help Desk has been continuously decreasing. • IBM Strategic Outsourcing (SO) services included site preparation, wiring, equipment installation and configuration. SO manages and operates the mainframe host, servers, network and Help Desk and supplies and manages the desktop workstations. • IBM Integrated Technology Services (ITS) maintains the hardware and systems software as well as performance monitoring and optimization. It also maintains operational management, backup and recovery, and security. • The statewide information system maintains information regarding individuals, families, incidents, programs, service activities and resources to prompt the user in the delivery of child welfare services. The application gives caseworkers more time to focus on providing services, rather than on data entry work. <p>In addition to fulfilling State and Federal legislative intent, CMS provides policy makers with information to design and manage services.</p>
Contract size	\$690 million
Start Date	January 1992
Contract Term	In its 14 th contract year
Contact Name	Debra Mack
Contact Telephone Number	Debra Mack at the State of California will gladly discuss the IBM project. However, due to the volume of requests, has requested that representatives first contact the IBM Project Executive (Catherine Mori) below to schedule reference discussions.
Contact Address	3775 N. Freeway Blvd Sacramento, CA 95834
Contact e-mail	Customer has requested that this information not be released
Vendor Project Manager Name	Catherine Mori Tel: (916) 567-2107 Email: cmori@us.ibm.com

Table 5. Reference 4 – IBM Reference #4

Company Name	AK Steel
Industry	Industrial Products
Scope of services provided	<p>AK Steel is the industry leader in production of flat-rolled carbon, stainless and electrical steels for use in automotive, appliance, construction and manufacturing markets. AK Steel also produces standard pipe and tubular steel products.</p> <p>AK Steel is a Fortune 500 company with over \$4 billion in sales. They have 9,000 employees at major steel-making plants and offices in Indiana, Kentucky, Ohio and Pennsylvania.</p> <p>AK Steel has defined three primary reasons for outsourcing its information systems (IS) functions:</p> <ul style="list-style-type: none"> • Accountability - Better business unit justification based on price. Eliminates “friendship” projects • Reduce IT expense and capital • Focus scarce management resource on steel rather than on IT. <p>The contract with AK Steel encompasses the entire scope of IT Services:</p> <ul style="list-style-type: none"> • Data Center Services: IBM manages and operates the customer’s data center in Middletown, Ohio providing 24x7 support for IBM’s High-end Mainframe (9672-R65), RS/6000, AS400 and DEC/VAX Mid-Range servers, Help Desk, Voice & Data Network Support, PC/LAN Support, and Security. Midrange server connectivity and support is also provided to other AK Steel locations from the Middletown Data Center. The Operating Systems environment in the data center includes MVS, AIX etc. In addition application systems, such as Lotus Notes for e-mail, DB2 and Oracle for Data Management are supported. The help desk supports over 7,000 users. • Desktop/NetworkStation Management: A multi-vendor environment (IBM, Dell, Compaq, Gateway, HP) of more than 9000 desktops and printers at the Middletown campus with PC/LAN connectivity, Windows NT and Windows 2000 operating system and Microsoft Office applications. The Help Desk also supports the desktop users. • Application Management Services: IBM’s Application Development and Maintenance (AD/M) solution is Function Point based, with significant productivity efficiencies being realized through application experience, platform consolidation, deployment of AD/M methodologies and utilization of IBM’s VisualGen development platform. • Systems Integration: IBM is responsible for integrating the

	<p>customer's business processes and business applications.</p> <ul style="list-style-type: none"> Nontraditional outsourcing: IBM provides specialized non-IT support that is geared towards this customer's steel business. A special team of IBM people (AMPS) processes small quantity orders for specialty steels, another team focuses on product pricing and a third team does technical writing for the customer's products. <p>In December 1996, four years into the original contract, the contract was expanded to include an upgraded mainframe processor, increased AD/M Support, increased Desktop/Network support and Technical Writing functions and extended to a 14 year term (10 years originally).</p>
Contract size	\$250 million
Start Date	February 1993
Contract Term	In its 14 th contract year
Contact Name	Tom Thompson
Contact Telephone Number	Tom Thompson at AK Steel will gladly discuss the IBM project. However, due to the volume of requests, has requested that representatives first contact the IBM Project Executive (Richard Sunderman) below to schedule reference discussions.
Contact Address	703 Curtis St. Middletown, Ohio 45043
Contact e-mail	Customer has requested that this information not be released
Vendor Project Manager Name	Richard V. Sunderman Tel: 513-425-5680 Fax: 513-425-5020 Email: sunderm@us.ibm.com

Table 5. Reference 5 – IBM Reference #5

Company Name	State of Maryland, Department of Human Resources
Industry	State Government
Scope of services provided	<p>IBM Global Services is the prime contractor responsible for providing technology services to the State of Maryland's Department of Human Resources' child support and welfare eligibility systems (both existing and newly developed). Maryland's Department of Human Resources (DHR) is responsible for most of the Health and Human Resource activities for the State of Maryland. This department is the fourth largest state agency in Maryland, with more than 6,800 full time employees and an annual operating budget in excess of \$960 million. DHR completed a statewide roll out of a new DB2 database application for combined child support and welfare</p>

	<p>eligibility systems in March 1998. Service delivery is for more than 80 locations in Maryland's 23 counties and the City of Baltimore with some 4,000 on-line users.</p> <p>IBM Global Services has been the technology provider to support the system and has continually delivered outstanding service to the end-users. Production system service level agreements have always been met or exceeded, meeting 99 -100 % availability. The IBM Global Services solution for the Department of Human Services, Office of Information Management is to provide outsourcing services for the Data Center operations to support all of the system resources to process the DHR application systems.</p> <p>Services include:</p> <ul style="list-style-type: none"> • Provides host data processing services in a configuration that is stable, cost effective and provides for growth of additional processing for the Department of Human Resources • Provides support for the Electronic Benefits Transfer (EBT) system used by the Client's Automated Resource Eligibility System (CARES) providing predictable processing costs in the future • Provides production control, systems programming, DBMS administration and management, security services, and problem recognition, diagnosis and resolution • Created a technology refresh plan to facilitate cost savings while providing stable, yet improved performance, and allowing end of contract transition to current environment • Provided batch process improvement using automation (OPC) 50 % improvement • Provides accounting information presented in a tailored, charge back for billing to the federal government or other departments in the agency • Improved online response time significantly through technology upgrades and process improvement • Provides DHR year-to-year cost savings through technology and process efficiencies • Provided a transparent transition and conversion from the State's environment to an outsourced location within one month of contract signing • Assists DHR with Federal requirements such as security and program apportionment • Provides 4,000 end users with improved service delivery • Provides a problem tracking and reporting system to facilitate service level standards, Level 2 help desk functions and 7 x 24 operations • Services provided at DHR facilities located in Baltimore, MD while the data center is located in, operated from and
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	<p>maintained in Gaithersburg, MD</p> <ul style="list-style-type: none"> • Provided assistance with migrating to DB2 4.1 resulting in major batch processing improvements • Completed the migration to DB2 7.0; keeping technology current has improved availability of the system • Installed a File Transfer Program to eliminate manual tape processing • Provides hosting services for DHR web development effort for their Child Support Revitalization project. Platform includes IBM pSeries hardware, WebSphere, Tivoli and DB2 UDB software
Contract size	\$135.5 million
Start Date	December 1994
Contract Term	10 years
Contact Name	Mike Blum
Contact Telephone Number	Mike Blum at the State of Maryland DHR will gladly discuss the IBM project. However, due to the volume of requests, has requested that representatives first contact the IBM Sr. Project Executive (Sam Grese) below to schedule reference discussions.
Contact Address	311 West Saratoga Street Baltimore, MD 21201
Contact e-mail	Customer has requested that this information not be released
Vendor Project Manager Name	Samuel D. Grese Tel: 410-767-7231 Email: grese@us.ibm.com

Table 5. Reference 6 – BearingPoint Reference #1

Company Name	Commonwealth of Pennsylvania
Industry	State and Local Government
Scope of services provided	<p>Commonwealth of Pennsylvania was seeking to develop a state-of-the-art telecommunications network infrastructure capable of supporting increasing bandwidth requirements and emerging technologies. BearingPoint (formerly KPMG Consulting) developed an acquisition strategy to effectively leverage the Commonwealth's buying power when negotiating with the vendors vying to provide voice, data, video and Internet access equipment and service. After using the strategy to select the vendors, the Commonwealth relied on BearingPoint (KPMG) to manage the large and complex project to keep it clearly scoped, on time and on budget.</p> <p>Details of Project Size:</p>

	<p>Number of users: 60,000</p> <p>Number of BearingPoint consultants involved: Seven</p> <p>Number of dedicated client personnel involved: 15</p> <p>Number of locations within scope: 3,000 state offices</p>
Contract size	\$6.1 Million
Start Date	3/1/2000
Contract Term	March 2000 – December 2002 (34 months)
Contact Name	Mr. Charles Strubel
Contact Telephone Number	(717) 772-8009
Contact Address	1 Technology Park, Harrisburg, PA
Contact e-mail	cstrubel@state.pa.us
Vendor Project Manager Name	Mr. Thomas Mennine, Engagement Manager, (610) 263-7282

Table 5. Reference 7 – Bearing Point Reference #2

Company Name	State of Texas
Industry	State and Local Government
Scope of services provided	<p>State of Texas was seeking to improve public access to government information, programs and services through the Internet. BearingPoint developed a business model for TexasOnline portal that includes:</p> <ul style="list-style-type: none"> ▪ User, subscription and hosting fees, which enabled agencies to participate without allocating funds for the program. ▪ No upfront fees for development and maintenance of interfaces and front-end Web applications. ▪ Marketing, advertising and public relations functions specifically to promote TexasOnline. ▪ Help desk services for all citizens and businesses. ▪ A secure accounting center, which maintains transaction controls and detailed documentation for auditing purposes. <p>In 2003, BearingPoint launched a statewide interactive voice response system, as well as content management and electronic forms tools. The system helps disabled citizens and others to access services more conveniently. The content management and electronic forms will enable agencies to create their own web pages and electronic and paper forms without the help of technical personnel.</p>

	TexasOnline now hosts 10 separate portals and serves many state agencies and local governments. Up to one million Texas citizens use TexasOnline sites each month, and BearingPoint processes an average of 900,000 financial transactions through the sites each month. They have collected nearly \$500 million in revenue on behalf of the state and local governments.
Contract size	Self-funded. Project costs have reached \$28 million
Start Date	April 2000
Contract Term	4/1/2000 - Present
Contact Name	Mr. Edward Serna, Director of Service Delivery
Contact Telephone Number	(512) 463-9909
Contact Address	300 W. 15 th , Suite 1300 Austin, TX 78701
Contact e-mail	Ed.serna@dir.state.tx.us
Vendor Project Manager Name	Gary Miglicco, 512-542-5301

Table 5. Reference 8 – STI Reference #1

Company Name	Fannie Mae
Industry	Financial Services
Scope of services provided	<p>Help Desk Services:</p> <p>America's second largest corporation asset-wise, Fannie Mae is a Fortune 500, shareholder-owned company with a public-spirited mission: to tear down barriers, lower costs, and increase the opportunities for homeownership and affordable rental housing for all Americans.</p> <p>Fannie Mae's primary objective was to select an external service provider (ESP) that could help it reduce support costs by leveraging the investment it was planning to make in problem-support technology. STI took over complete responsibility for the support of PCs and related software; increased the monthly call volume by 1,000 by taking calls from all five regions; increased first-call resolution from 50 percent to 80 percent; and reduced the average talk time from slightly more than 8 minutes to slightly more than 6 minutes, with fewer staff thereby reducing overall support costs.</p>
Contract size	\$4.5 million
Start Date	08/01
Contract Term	4 years
Contact Name	Rebecca Lewis

Contact Telephone Number	703 833 5770
Contact Address	13150 Worldgate Drive Herndon VA, 20170
Contact e-mail	rebecca_lewis@fanniema.com
Vendor Project Manager Name	Scott Anderson

Table 5. Reference 9 – STI Reference #2

Company Name	Chick-fil-A
Industry	Quick-Service Restaurant Chain
Scope of services provided	<p>Help Desk Services provided by STI Knowledge.</p> <p>Credited with introducing the original boneless breast of chicken sandwich and pioneering in-mall fast food, Chick-fil-A is one of the largest privately-held restaurant chains – with 1,125-plus restaurants in 37 states and Washington, D.C. – and the second-largest quick-service chicken restaurant chain in the nation, based on annual sales.</p> <p>Our business relationship with Chick-fil-A began with a Certified Help Desk Management course for Michael Garrison, Manager of IT Services. Soon after, we went on to certify the rest of the Chick-fil-A Help Desk team. Our industry knowledge and our understanding of best practices led us to recommend supplemental staffing for the Help Desk. The relationship grew into a full, sole-source employment engagement, where we recruited and trained all of the Certified Help Desk Professionals for Chick-fil-A.</p> <p>Today, our Support Professionals provide assistance to restaurant operators for Point-Of-Sale systems, end-close reporting tools, finance and inventory systems, ordering, connectivity and other in-store applications and technology. STI Knowledge provides first level after-hours support for store owners performing critical functions.</p>
Contract size	\$13.3 million
Start Date	September 1998; April 2005 renewal 3 rd term
Contract Term	5-year renewal option.
Contact Name	Mr. Michael Garrison, Director
Contact Telephone Number	(404) 765-8966
Contact Address	5200 Buffington Road, Atlanta GA 30349
Contact e-mail	michael.garrison@chick-fil-a.com
Vendor Project Manager Name	Mr. Scott Anderson

Table 5. Reference 10 – Liberty Property Trust Reference #1

Company Name	Capital One
Industry	Banking
Scope of services provided	Liberty Property Trust, built the “James River Call Center II” located in Chester, Virginia, approximately 158,000 square foot call center facility built for lease to Capital One. Liberty Property Trust managed interior improvements.
Contract size	\$8.8 Million
Start Date	August 21, 2001 Completion.
Contract Term	Ten years
Contact Name	Mr. Mark Bell, Group Manager for CRE Analysis
Contact Telephone Number	(804) 290-6826
Contact Address	Capital One Services 140 E. Shore Drive Glen Allen, VA 23059
Contact e-mail	Mark.bell@capitalone.com
Vendor Project Manager Name	Mr. Dana Dame, Senior Project Manager, (804) 644-9111

Table 5. Reference 11 – Liberty Property Trust Reference #2

Company Name	Elizabeth Arden
Industry	Cosmetics
Scope of services provided	Liberty Property Trust, built the “Elizabeth Arden Expansion” warehouse located in Roanoke, Virginia, approximately 133,000 square foot facility. Liberty Property Trust managed the construction as a developer.
Contract size	\$4.9 Million
Start Date	September 15, 2003 Completion.
Contract Term	Seven years
Contact Name	Mr. Grover W. Ayers, Project Manager
Contact Telephone Number	(540) 983-6411
Contact Address	Elizabeth Arden 1751 Blue Hills Drive Roanoke, VA 24012

Contact e-mail	Grover.ayers@elizabeth.arden.com
Vendor Project Manager Name	Mr. Dana Dame, Senior Project Manager, (804) 644-9111

Table 5. Reference 12 – Liberty Property Trust Reference #3

Company Name	SunCom
Industry	Wireless Communications
Scope of services provided	Liberty Property Trust, built the “Westgate One Office Building” class “A” office facility located in Glen Allen, Virginia, approximately 93,000 square foot facility built for lease to SunCom. Liberty Property Trust managed the construction as a developer.
Contract size	\$10.7 Million
Start Date	July 15, 2001 Completion.
Contract Term	Seven years.
Contact Name	Mr. William S. Wukitch, Director of Real Estate
Contact Telephone Number	(610) 648-8812
Contact Address	Triton PCS 1100 Cassatt Road Berwyn, PA 19312
Contact e-mail	wswukitch@tritonpcs.com
Vendor Project Manager Name	Mr. Dana Dame, Senior Project Manager, (804) 644-9111

Table 5. Reference 13 – Verizon Reference #1

Company Name	Virginia Information Technologies Agency
Industry	State Government
Scope of services provided	Verizon delivers regulated and non-regulated voice and data services and solutions.
Contract size	22.5 Million
Start Date	September 1, 2004
Contract Term	June 2010 with 5 – 1 year renewal options.
Contact Name	Mr. Douglas L. Wilson, Associate Director
Contact Telephone Number	804-371-5592
Contact Address	110 South 7th Street, Richmond, VA 23219
Contact e-mail	doug.wilson@vita.virginia.gov

Vendor Project Manager Name	Mr. John Keogh, Verizon Business Development Manager
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Table 5. Reference 14 – Verizon Reference #2

Company Name	Virginia Information Technologies Agency
Industry	State Government
Scope of services provided	Verizon services provide the following on a statewide basis to the VEC: <ul style="list-style-type: none"> • ATM • Frame Relay • Data equipment, including installation / maintenance / monitoring • Local voice services
Contract size	Over 40+ sites...
Start Date	Approximately 5 years ago...
Contract Term	3 years with annual renewal option.
Contact Name	Mr. James L. Peters, Service Level Director
Contact Telephone Number	804-786-5335
Contact Address	703 E. Main Street Richmond, VA 23219
Contact e-mail	jim.peters@vita.virginia.gov
Vendor Project Manager Name	Ms. Pamela Goggins, Verizon Corporate Account Manager

Table 5. Reference 15 – Verizon Reference #3

Company Name	Virginia Information Technologies Agency
Industry	State Government
Scope of services provided	Verizon services provide the following on a statewide basis to the DOC: <ul style="list-style-type: none"> • ATM • Data equipment and IP Telephony installation / maintenance / monitoring • Local voice services
Contract size	Over 60+ sites...
Start Date	Approximately 5 years ago...
Contract Term	3 years with annual renewal option.

Contact Name	Ms. Karen Hardwick, Telecom Manager
Contact Telephone Number	804-674-3000
Contact Address	6900 Atmore Drive, Richmond, VA 23235
Contact e-mail	karen.hardwick@vita.virginia.gov
Vendor Project Manager Name	Mr. Richard Glass, Verizon Corporate Account Manager